MASSEY-FERGUSON LIMITED

ANNUAL
REPORT
1983

HARRY FERGUSON

1884-1960

"Agriculture, let me tell you, is more important than all the other industries in the world put together... Agriculture should have been the first industry to be modernized and not the last."

HARRY FERGUSON uttered those words in a speech to the International Food Conference in 1943. This remarkably inventive man had proven his devotion to agricultural productivity by developing the epochal Ferguson system with its unique hitch geometry linking tractor and implement in a single integral working unit.

Henry Ford once said the Ferguson principle "will not only revolutionize agriculture, but will put his name alongside those of Edison, Bell, and the Wright brothers."

In observance of the centennial of Harry Ferguson's birth, Massey-Ferguson is undertaking a series of events honouring this venerated son of Ireland's County Down and his extraordinary contributions to mechanized agriculture.

When, in 1953, Harry Ferguson merged his company with Massey-Harris–itself a trail-blazing enterprise that had transformed the world's grain-harvesting practices with its self-propelled combine–there emerged a new business with global interests and resources, and the industry's most advanced technology.

Unhindered by lack of formal education, Harry Ferguson, born to a farming family, was always fascinated by machinery. At 19 he had designed, built and raced his own motorcycle. He became a successful racing car driver. In his mid-twenties he became the first Briton to design, build and fly his own airplane. This resolute, self-taught young man turned his attention to farm mechanization at the bidding of his government, intent on increasing food production during the First World War.

Harry Ferguson devoted most of his life to the evolution of mechanized agriculture. He bequeathed his generation, and many generations to follow, a new capacity to match bounties of the land with human needs. His place in history is assured.

Financial and Operating Highlights

		Year ended January 31 1984	Year ended October 31 1982	Three months ended January 31 1983	1982
Operating Summary	*(Millions of U.S. Dollars)*				
	Net Sales	**$1,535.0**	$2,058.1	*$313.3*	*$480.6*
	Operating Loss	**47.8**	205.0	*85.3*	*54.7*
	Provision for unusual costs and reorganization expense	**15.9**	170.8		*10.4*
	Net exchange loss	**4.3**	37.4	*9.1*	*8.4*
	Net Loss	**68.0**	413.2	*94.4*	*73.5*
	Cash provided by (used in) operations*	**44.8**	21.4	*(5.7)*	*(47.0)*
Per Common Share	*(U.S. Dollars)*				
	Net loss (after dividend claims on preferred shares)	**$0.93**	*$8.95*	*$1.74*	$1.84

		January 31 1984	January 31 1983
Financial Status	*(Millions of U.S. Dollars)*		
	Net current assets*	**$556.2**	$670.6
	Long-term debt	**653.4**	1,025.3
	Shareholders' equity	**285.4**	143.4

*Excludes Finance Subsidiaries

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ANNUAL MEETING

The meeting will be held in the Commonwealth Ballroom of the Holiday Inn Downtown, Toronto, Canada, at 12 noon on Wednesday, May 30, 1984.

All holders of preferred shares are entitled to vote at this meeting.

10-K REPORT

A copy of the Company's 10-K report for the fiscal period ended January 31, 1984 is available to shareholders upon request to the Company Secretary.

LE RAPPORT EN FRANÇAIS

Le rapport du conseil aux actionnaires et certains extraits du rapport annuel en français peuvent être obtenus sur demande en s'adressant au Secrétaire de la Compagnie.

THE BUSINESS OF MASSEY-FERGUSON

Massey-Ferguson is a Canadian-based multinational corporation that designs, manufactures and markets, world-wide, farm and derived industrial machinery, and diesel engines.

It is the largest producer in the Western World of tractors, the second largest maker of combine harvesters and a world leader in multi-cylinder diesel engines.

The Company's products are made by subsidiaries, Associates and licensees in 33 countries and sold in 190 countries.

To Massey-Ferguson's Investors

In 1983 we essentially completed the first phase of our long-term strategic plan. Massey-Ferguson has been resized and restructured in response to lower levels of world-wide demand for farm and industrial machinery and diesel engines. During the past year, our Company's recovery accelerated, setting in place a solid foundation for the future. We are now poised to restore profitability.

With a break-even point nearly half the 1977 level, we are capable of continuing to improve our financial performance even if the marketplace remains at its depressed 1983 volumes.

As 1984 began, certain economic indicators suggested that conditions in some major markets were stabilizing. If that proves to be the case, we can expect a somewhat improved sales climate in the year ahead, and thus a further contribution from the marketplace to the Company's orderly revitalization and financial recovery.

Important steps were taken in 1983 to prepare Massey-Ferguson for better times ahead.

- Financial performance improved dramatically. Our net loss of U.S. $68.0 million contrasts to a loss of $413.2 million in the year ended October 31, 1982, despite a further decline in sales amid the persisting weakness in demand. Excluding the deconsolidated subsidiaries in Brazil and Argentina, sales in 1983 declined 15 per cent.
- For the third consecutive year, a positive cash flow from operations was generated.
- Among other signals of financial recovery, cost of goods sold improved despite fiercely competitive market conditions. Marketing, general and administrative costs were 14.2 per cent of sales, against 16.8 per cent a year earlier. Inventories of $483.1 million at January 31, 1984, were down 19 per cent.
- Financial restructuring agreements with lenders, concluded in March 1983, and management actions to reduce costs involve cash savings of $600 million over a period of years, with the greatest benefit in the first three years. These benefits arise mainly from waivers on interest and preferred dividends and from conversion of loan interest and principal into common shares. Largely as a consequence of the agreements, shareholders' equity in 1983 doubled to $285 million, while long-term debt dropped 36 per cent to $653 million.
- To enhance our position in the global market for diesel engines, we acquired the diesel engine business of Rolls-Royce Diesels International from Vickers PLC in England. By adding Rolls-Royce premium high-output engines to our well-established Perkins line, we can offer a range of diesel power as comprehensive and diversified as virtually any in the world. Our first acquisition in 10 years brightens our prospects in a highly competitive market.
- For the first time since 1966, Massey-Ferguson raised equity capital in the public securities markets through the sale of common shares. The offering, completed early in 1984, produced Cdn. $30.2 million through the exercise of share-purchase warrants issued as part of our 1981 refinancing program. This infusion of capital has improved liquidity and indicated a growing perception of investor confidence in our prospects for future success. Since additional share-purchase warrants issued with the new common shares are exercisable at an incentive price until October 1, 1984, there remains a possibility of raising up to $18 million more during the current fiscal year.

These steps were achieved within the constraints imposed by our standing policy of cash conservation and prudent resource management. We continued to impose tight control on assets by maintaining production levels consistent with sales performance, and by disengaging from activities not essential to our core business operations.

Settlements negotiated with organized labour acknowledged the need for contracts to respond to the realities of the business environment. Operations at plants in Brantford, Ontario, Coventry, U.K., and Marquette, France, were interrupted by work stoppages before satisfactory agreements were reached.

Production at the Company's remaining manufacturing facilities in the United States–the transmission and axle, and gear and shaft factories in Detroit–was terminated, as planned. These actions were part of our phased redeployment of operations under the asset use-maximization program begun in 1978.

Employment at year end was 23,751, a reduction of more than 6,000 from a year earlier. At the onset of the long erosion of farm machinery sales in 1977, employment was 68,200.

With our major resizing measures behind us, we are turning our full energies to marketing; for it is in the marketing arena where we will next be tested. In 1983 we reshaped our operational framework to narrow the gap between tactical decision-making and the marketplace. The Farm & Industrial Machinery Division, accounting for some 80 per cent of gross turnover, was reorganized into four Divisions, each bearing a profit mandate. These

new operating units improve our capability to create and capitalize on opportunities for marketing impact.

Our acquisition of Rolls-Royce diesel engines constitutes a response to marketing imperatives.

Our initiative in Telemarketing, a unique application of telecommunications technology in the farm equipment industry, has proven so effective in North America that we are adapting it for other parts of the world. This program not only improves sales results, but relieves us of financing obligations for the inventories of smaller dealers.

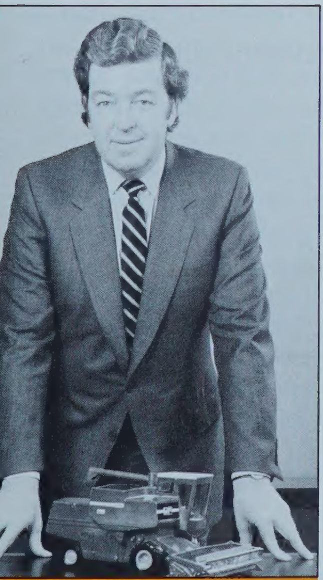
Our most substantial marketing resource is our global network of dealers and distributors–9,000 franchised sales outlets where Massey-Ferguson and Perkins come face to face with our customers. In addition to traditional major markets, our distribution network is particularly well entrenched in the developing world, where we expect increasing demand for our products in the years ahead. By the turn of the century–only 16 years from now–world population is expected to increase by 1.5 billion, creating massive requirements for food and the instruments of food production. These requirements will be felt most urgently in those parts of the world where population growth is highest and living standards lowest–and where Massey-Ferguson is the dominant supplier of machinery.

In 1983 we supplied our dealers and distributors with new products carefully designed to fulfill customer needs. Larger combines for Europe, higher-output tractors for the Third World, intermediate industrial machinery for North America's reviving construction industry, more versatile and fuel-efficient diesel engines, many new farm implements–these and other products represented a methodical response to specific customer preferences.

We enter the new year lean, trim, and market-driven. Massey-Ferguson is emerging from its ordeal as a resourceful, integrated enterprise with a highly competitive range of products, hard-working and dedicated employees, loyal and enthusiastic dealers and distributors, and a purposeful business strategy to meet the needs of our customers in the years ahead.

During our efforts to revitalize the Company, our markets have undergone fundamental changes. The sales volumes enjoyed by our industries in the Seventies are unlikely to recur. The challenge to our marketing competence is underscored; we must continue to become steadily more proficient in our ability to deliver customer satisfaction.

This is a compelling challenge in the best of times. We undertake it at a time of economic stress across most of the world; even those markets now showing signs of stabilizing are doing so in a fitful manner. Yet we are now in excellent shape to take advantage of any recovery that develops and turn it into profits for the Company.



Our endeavours in 1984 take place under unusually auspicious circumstances, for we observe two significant centenaries–100 years since the birth of Harry Ferguson and the founding of the Landini brand. Harry Ferguson's pioneer achievements in tractor technology, now adopted universally, constitute a cornerstone of our Company's enduring global reputation for superior engineering and quality. Giovanni Landini shared a vision of mechanized agriculture, and his legacy has evolved as a range of internationally respected farm machinery.

On behalf of the Directors, we extend a warm welcome to John N. Abell and Maurice F. Strong, who have joined our Board in recent months. Mr. Abell is Chairman and Chief Executive Officer of the Orion Royal Bank Limited, London, England; Mr. Strong is Chairman of the Canada Development Investment Corporation, Vancouver.

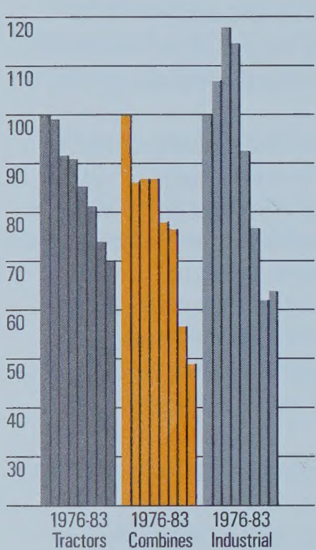
To all those who stood firm through the turbulence, and who share our commitment to a restored Massey-Ferguson, the Board expresses grateful appreciation. With the support of employees, shareholders, dealers and distributors, customers, suppliers and lenders, our Company is regaining momentum. We have overcome difficulties once viewed by many as insurmountable, and we shall make substantially more progress in 1984.

On behalf of the Board,

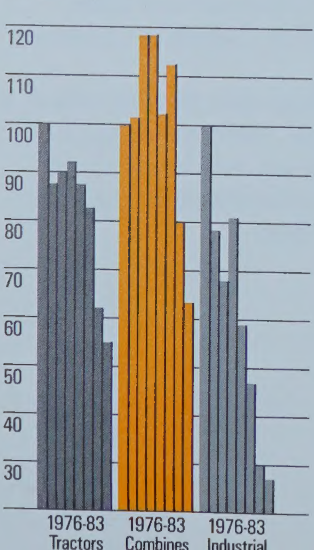
Victor A. Rice
Chairman and
Chief Executive Officer
Toronto, March 30, 1984

Review of Operations

WORLD-WIDE
INDUSTRY UNIT RETAIL SALES
(1976 = 100)



CANADA
INDUSTRY UNIT RETAIL SALES
(1976 = 100)



In 1983 demand for farm and industrial machinery and diesel engines remained generally weak. The fact that we were able to improve our share of certain key markets–combines in North America, for example, and tractors in the Third World–speaks well for our products, marketing prowess, and distributors and dealers. Competition, already severe, became more intense as our industries redoubled efforts to dispose of swollen inventories.

Unsettled market conditions provided a backdrop for lingering political uncertainties. Grappling with unemployment, governments faced rising protectionist sentiments. In Europe, a resolution of divisions over the Common Agricultural Policy proved elusive.

Competition for export sales among the world's major grain-producing nations intensified in a generally tense environment in international commerce, as countries sought to redress trade imbalance as part of broader economic recovery programs.

WORLD-WIDE INDUSTRY UNIT RETAIL SALES

	1983	
	(000) Units	Per Cent of Total
Agricultural Tractors		
Europe	269	45
North America	135	22
Latin America	44	7
Other	155	26
Total	603	100
Combine Harvesters		
North America	16	37
Europe	16	37
Latin America	6	13
Other	6	13
Total	44	100
Industrial Tractors		
North America	20	57
Europe	11	31
Latin America	1	3
Other	3	9
Total	35	100

In contrast to farm economies, consumer economies rebounded in 1983; the rising pace of residential construction in North America and parts of Europe improved demand for industrial machinery. Demand in other equipment sectors–such as trucks, mining and forestry machinery, and marine craft–was advancing as 1983 ended, foretelling improved sales of multi-purpose diesel engines and hydraulic components.

Capital spending is expected to increase in 1984, with business investment joining consumer outlays in the economic upswing. This trend, however, is vulnerable to interest rates. Projections of moderately higher demand for farm machinery, while widespread, have yet to be confirmed in the marketplace. So far, recovery in the major markets for our types of products has been fragile at best.

Tractors & Farm Equipment Division

Industry sales of farm machinery at retail settled lower in 1983, echoing the global downtrend that tracked the industry for the six previous years. Every product sector suffered in the poor economic climate. As sales volumes continued to slacken, aggressive price discounting and other emergency tactics to liquidate field inventories exacted a relentless toll on margins.

World-wide, industry retail sales of agricultural tractors by units slipped five per cent below the depressed level of 1982 and 30 per cent below the 1976 peak.

In these challenging circumstances, Massey-Ferguson increased its share of the world farm tractor market by one percentage point to almost 16 per cent, largely as a consequence of well-aimed marketing efforts coupled with intensified sales activities by our dealers and distributors.

NORTH AMERICA

Although the industry's unit sales of tractors dipped further, Massey-Ferguson gained a modest share of market in the face of tenacious competition. At the same time, we maintained inventory levels below industry norms throughout the year by curbing production schedules.

In the United States, a government program to reduce grain output removed more than 50 million acres of major crops from production; farmers were compensated with raw commodities from government stockpiles. Harvests were also depleted in key corn growing regions by the worst drought in many years. Industry retail sales of farm tractors slid one per cent; Massey-Ferguson raised its market share by one percentage point.

In Canada, industry unit sales of farm tractors sank 13 per cent; industry sales in our strongest market segment, 30 to 99 horsepower, dropped by 18 per cent, yet we managed to improve our share of the total market fractionally.

EUROPE

Although agricultural economies in the United Kingdom and West Germany strengthened, demand for farm machinery remained generally sluggish. A major contributing factor was lingering uncertainty over the future course of the European Economic Community's Common Agricultural Policy (CAP). Severe drought in many central and southern areas, with Italy, Spain and Portugal particularly hard hit, also discouraged sales.

As a result, industry tractor sales dropped six per cent, to 268,000 units; declines in Italy

Massey-Ferguson's new advertising program in Europe stresses the contributions our customers make to the design and operating features of MF tractors and other equipment. "Where farmers' ideas take root"–a message that underscores our commitment to customer satisfaction.

and Norway were especially deep.

In the United Kingdom, industry sales continued the gains started in 1982 and reached 28,000 units, in contrast to the low point of 21,000 in 1981. Massey-Ferguson's market share advanced to 22 per cent, with much of the sales thrust coming from the improved 600 Series tractors. Ireland's market remained depressed at 2,400 units, against a high point of 8,000 in recent years, but we accomplished a major gain in market share to 24 per cent.

We introduced a tractor line under the trade name "Roc," consisting of used machines rebuilt by distributors to as-new condition under stringent specifications; these products were well received by U.K. farmers.

In West Germany, following 1982's excellent harvest, industy sales of farm tractors increased 25 per cent by midyear, then hit a slump, and full-year sales at 45,000 units were only slightly higher than the previous year. Our market share slipped slightly, although sales rallied late in the year, raising hopes for improved momentum in 1984.

In France, a disappointing harvest pushed down farm income, and industry tractor sales weakened; Massey-Ferguson achieved a narrow gain in market share to 11 per cent on improved sales of the upgraded 200 Series tractors.

MIDDLE EAST, ASIA, AFRICA

Tractor industry sales faltered by a further 25 per cent, reflecting persistent economic and political difficulties. African economies, laden by heavy foreign debt, were especially depressed; oil-producing states, responding to softness in oil prices and demand, curbed capital investments.

In this unpromising environment, Massey-Ferguson continued to supply 25 per cent of the market.

Our market leadership was sustained in 1983 by methodically analyzing precise requirements in each of more than 120 different national sales settings, and by developing programs tailored to fulfill these needs.

- At the 1983 World Plowing Match in Zimbabwe, supported by Massey-Ferguson and our distributor Farmec, demonstrations of the MF 2720 tractor fitted with a combined total of six 20-inch furrows on front and rear linkage aroused enthusiastic response; this activity contributed to significant sales of MF 2000 Series units.
- Sales gains for the MF 2000 Series, in its first year of availability to all market specifications, were achieved in Saudi Arabia, the Sudan, South Africa, and Indonesia. This fruitful introduction triggered opportunities to compete for major agri-business projects with far-ranging machinery requirements.

More than 75 per cent of Massey-Ferguson's business by volume in these markets consists of tractor kits shipped from MF plants, with

LANDINI TRATTORI

Since 1884

Landini, based in Fabbrico, Italy, and part of Massey-Ferguson since 1960, manufactures and markets throughout the world a highly successful range of wheeled and crawler tractors known for their rugged durability.

The founder, Giovanni Landini (1859-1924), rose from foundry apprentice to enterprising manufacturer on the strength of his intense and untiring interest in mechanized agriculture. His first patented invention was a simple device for Italy's thriving wine industry. He then devoted many years to harnessing the power of early internal combustion engines, both steam and petrol, for efficient labour in the fields, orchards and vineyards of his beloved land. Barely a year after his untimely passing, his three sons introduced the first Landini tractor, a milestone in Europe's agricultural development.

Throughout the years, Landini machines have acquired a global reputation for functional design, ease of operation, and longevity of service. A Landini tractor is considered by many to be indestructible, a fitting legacy of the self-taught genius whose name it bears.

final assembly by licensees or joint venture partners.

In Pakistan, the MF licensee, Millat Tractors Limited, received more than 10,000 kits in 1983 and increased production schedules to meet rising demand. The MF Associate in India, Tractors and Farm Equipment Limited, benefitted from improved levels of retail credit to raise tractor output and sales.

The Libyan Tractor Company, a joint venture with the Libyan Secretariat of Heavy Industry, surpassed production targets and plans to produce more than 4,000 tractors in 1984. The enterprise is hailed as a prime example of successful technology transfer.

In Saudi Arabia, the latest country to begin assembly of our tractor kits, the joint venture with Saudi Tractor Manufacturing Company reached full production, and the product range was widened in response to market interest in our new four-wheel-drive models.

LATIN AMERICA

Economic constraints imposed by the region's heavy debt continued to dampen demand for capital goods. High wholesale prices resulting from currency devaluations effectively halted machinery imports in many countries. Nonetheless, there were bright spots for MF, and our share of Latin America's tractor market gained substantially to reach almost 25 per cent.

The MF 2000 Series was successfully introduced, and the early pace of sales surpassed expectations.

In Brazil, sharply rising crop prices that followed currency adjustments triggered a surge in demand in the year's closing half. Market share of MF products advanced three percentage points to a dominating 36 per cent, underlining the Company's record of 22 unbroken years of market leadership. The Company also remained Brazil's leading exporter of both tractors and combines.

NEW PRODUCTS

New tractor models, along with substantially modified versions of earlier tractors, enabled Massey-Ferguson in 1983 to keep pace with changing requirements in the marketplace.

In North America, three new tractor lines were introduced. The MF 3500 Series, spanning 90 to 125 horsepower, features exclusive electronic three-point hitch; the three models in the line are offered in two- and four-wheel drive. The MF 600 Series, designed for customers seeking big tractor performance in the intermediate power range, comprises four models rated at 55 to 85 horsepower, also available in two- and four-wheel drive. Both tractor lines are produced at Beauvais, France.

The MF 200 Series, known as the "value line," offers five compact models, delivering 34 to 78 horsepower, manufactured at Coventry, England.

For the European market, we introduced four-wheel-drive versions of all models in the 200 Series, which competes in the world's most widely used segment of the agricultural tractor market.

As top-of-the-line unit in the improved range of crawler tractors, we introduced the 75-horsepower MF 294C. These products provide customers a choice of machines for a wide variety of tasks, from orchard and nursery duties to heavy cultivation and drilling.

MARKETING INITIATIVES

Large budgets no longer equate to marketing prowess. Massey-Ferguson marketers rely on sensitive, step-by-step analysis of conditions and requirements in every market segment to determine courses of action.

In developing countries, we enhanced the market appeal of the MF 200 Series tractors by adopting new 12-speed syncromesh gearing, which has proven highly appropriate for heavy-duty operations, especially in sugar industries.

Our field sales organization, and our distributors and dealers, spare no effort to help prospective customers find acceptable financing. In highly developed markets, like Europe and North America, farmers often examine alternatives to outright purchase of machinery. Tractors can be rented or leased. In North America, leasing contracts for agricultural equipment are expected to exceed $1 billion in 1984. Massey-Ferguson offers customers a variety of leasing plans, along with other financing programs.

Combines & Farm Equipment Division

In the lingering economic malaise, retail sales of harvesting equipment suffered even steeper declines than tractors. On a world-wide scale, industry unit sales of combine harvesters sagged 12 per cent below the level of 1982 and 50 per cent below the 1976 peak.

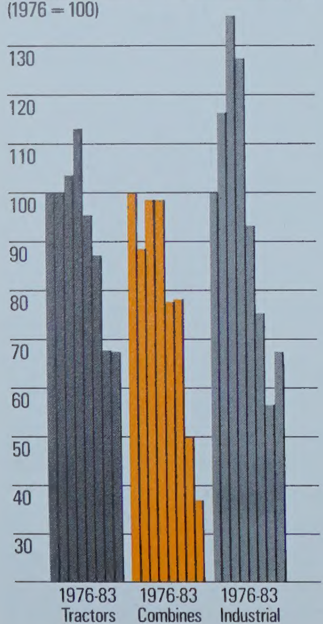
Massey-Ferguson maintained its position as the world's second-ranking producer of self-propelled combine harvesters.

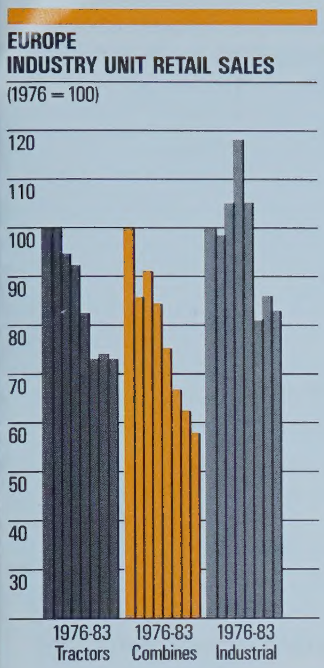
NORTH AMERICA

Industry sales of combines plunged 26 per cent, to 16,500 units, in contrast to the prior year's 22,200 and to 1981 sales of 34,100.

In the United States, where industry sales sank 28 per cent, we improved our share of market by five percentage points. In Canada, with industry sales off 20 per cent, we gained one percentage point. This impressive performance under dismal conditions bears witness to the competitive vitality of our dealers and to the quality of our products.

UNITED STATES
INDUSTRY UNIT RETAIL SALES
(1976 = 100)





EUROPE

Europe's market for combine harvesters slumped seven per cent. Only the United Kingdom, where industry sales advanced 16 per cent, escaped the widespread market setback.

Again, Massey-Ferguson's systematic grasp of opportunities in the marketplace served us well; our share of the European combine market climbed to nine per cent.

Several singular successes stand out. In Finland, we achieved 26 per cent of the market, our highest penetration since 1972. Our market share in Sweden advanced by four percentage points. In the buoyant U.K. market, our new 800 Series high-performance combines created fresh sales momentum, and our position in West Germany's listless combine market also improved.

LATIN AMERICA

In a broadly lethargic market, MF improved its share of the depressed combine harvester sector by almost five percentage points to capture 24 per cent share.

In the important Brazilian market, our product performance won us a share advance of four percentage points.

NEW PRODUCTS

During 1983, we introduced in Europe the MF 845, produced at Marquette, France. The MF 845 is the largest combine we have ever manufactured in Europe, and reflects the spreading demand for bigger equipment.

The MF 845 joins a range of six combine models that we are fielding for the 1984 harvest season; this program invites customer attention to Massey-Ferguson's pace-setting standards of quality. Included in the combine family are the MF 330 and MF 430, smaller units to give farmers a comprehensive selection of harvesting equipment.

In North America, we launched the MF 550 Special and upgraded models in the MF 500 and MF 800 Series.

MARKETING INITIATIVES

Our innovative Telemarketing program–a first-time application of telecommunications technology in the farm machinery industry–has proven so effective in North America that we are adapting it for other parts of the world.

Telemarketing links smaller dealers to a central quick-response staff of sales and service specialists in Des Moines; Massey-Ferguson is no longer obligated to provide inventory floor-plan financing for dealers in the Telemarketing loop. In 1983, these dealers increased retail sales of our equipment, in defiance of the market trend.

Massey-Ferguson field sales personnel in key markets devote much of their efforts to

IMPLEMENTS

Mindful that farm implements represent a distinct market, Massey-Ferguson has established two operating groups to provide dealers and customers with a broader array of products. One group, based in Toronto, concentrates on the North American market; the other, located in Coventry, England, serves European and World Export markets.

The Farm Implement Group in North America, created in 1982, devoted the subsequent year to developing its product range and generating impact in the marketplace. At year end, the Group's implement array numbered 101, of which 73 were introduced during 1983.

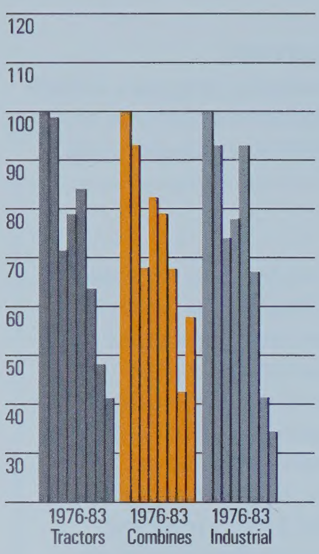
The Group's direct-mail Buying Guide, an illustrated catalogue distributed to farmers and agricultural buyers throughout North America, employs a marketing concept unique in the farm equipment industry. MF implements, largely sourced from specialist manufacturers meeting Massey-Ferguson standards of engineering, quality, exclusivity and pricing, are supported by the total scope of MF ownership benefits–including convenient parts and service, warranty protection and retail financing.

In response to dealer enthusiasm at sales conferences in Orlando, Florida, last December, the Group plans to expand its product family by 27 implements in 1984.

In Europe, our Farm Implement Operations achieved new sales inroads in a highly competitive marketplace by introducing seven new products during 1983.

Propelled by advertisements like this, MF's share of the North American market for combine harvesters improved in 1983 despite lagging industry sales. Testimonials by satisfied customers enhance the credibility of the marketing message.

LATIN AMERICA INDUSTRY UNIT RETAIL SALES
(1976 = 100)



dealer development–assisting dealers in becoming better business managers, in conducting effective merchandising activities, and in applying computer technology to their daily operations. More than 200 North American dealers attended MF business management seminars in 1983, and many more have enrolled for 1984 sessions.

Engines Division

Perkins diesel engines are installed by more than 500 major manufacturers of powered equipment around the world. Nearly 10 million Perkins engines have been produced in the Division's 51-year history; at present, some five million Perkins diesels are in use in more than 2,000 applications in over 160 countries.

As a result, Perkins is the most widely used make of multi-cylinder, high performance diesel engine in varied types of equipment around the world.

More than 25 per cent of the Western World's agricultural diesel engines are supplied by Perkins and its Associates and licensees. The Division holds a 25 per cent share of the forklift truck market, 11 per cent of the pleasure boat market, and five per cent of the commercial vehicle market world-wide.

SALES AND PRODUCTION

In the Division's traditional sector of 30 to 300 brake horsepower, world-wide production of diesel engines (excluding automobile engines) by all manufacturers dipped seven per cent in 1983, reflecting persistent weakness in the output of capital goods.

Production by Perkins, its Associates and licensees amounted to 332,000 engines, compared with 372,200 in the previous year. The Division's world-wide sales to third-party customers were $243 million, a decrease of 23 per cent from 1982; inter-company sales to Massey-Ferguson were $105 million, down 17 per cent.

Many Perkins sales are transacted in sterling; had 1982 exchange rates prevailed, sales would have shown a decline of six per cent.

In the U.K., Perkins produced 129,300 units, down seven per cent from the year-earlier level.

Production in Brazil fell 31 per cent to 24,700 engines.

ASSOCIATES AND LICENSEES

Production of Perkins engines by Associates and licensees maintained similar levels to those of the previous 12 months, with a total of 178,000 units built.

Pakistan increased production by some 40 per cent to 10,000, while in Argentina production rose from 5,900 to almost 15,000 units. In Poland, output increased from 1,500 to 4,800.

The Division's operations in Bulgaria and Yugoslavia both maintained the levels achieved in the previous year, but production fell in Turkey and South Africa.

The production of engines in Spain amounted to 32,000 units, while in India and Mexico the continuing world recession was reflected in volume declines of 17 and 29 per cent, respectively.

ACQUISITION OF ROLLS-ROYCE DIESELS

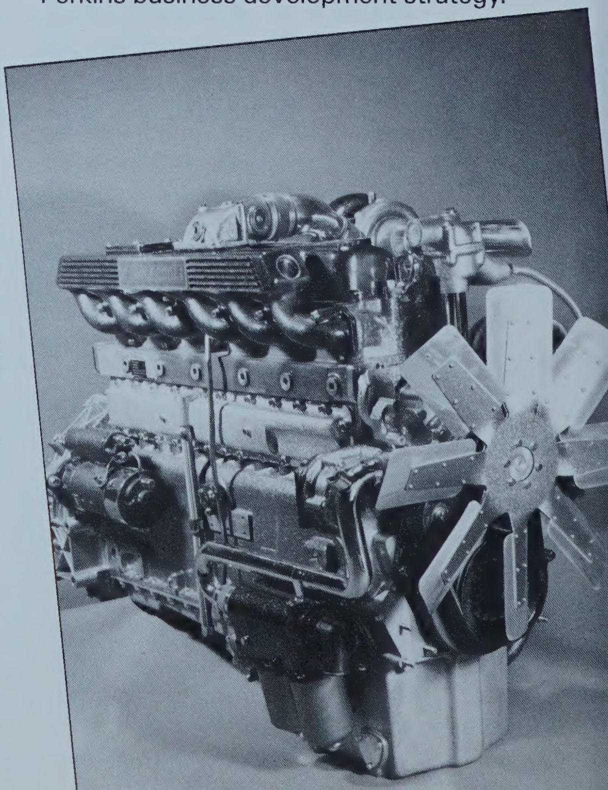
In late December, Massey-Ferguson announced its intention to acquire Rolls-Royce Diesel International from Vickers PLC, a U.K.-based diversified industrial manufacturer, for approximately $28 million. The transaction, involving the transfer of net assets valued at approximately $45 million, was formally completed early in 1984.

Rolls-Royce Diesel becomes part of the Engines Division, which is responsible for operations at the Rolls-Royce plant occupying 752,000 square feet in Shrewsbury, England, and for developing new international sales opportunities for the Rolls-Royce range of diesel engines spanning 200 to 1200 horsepower.

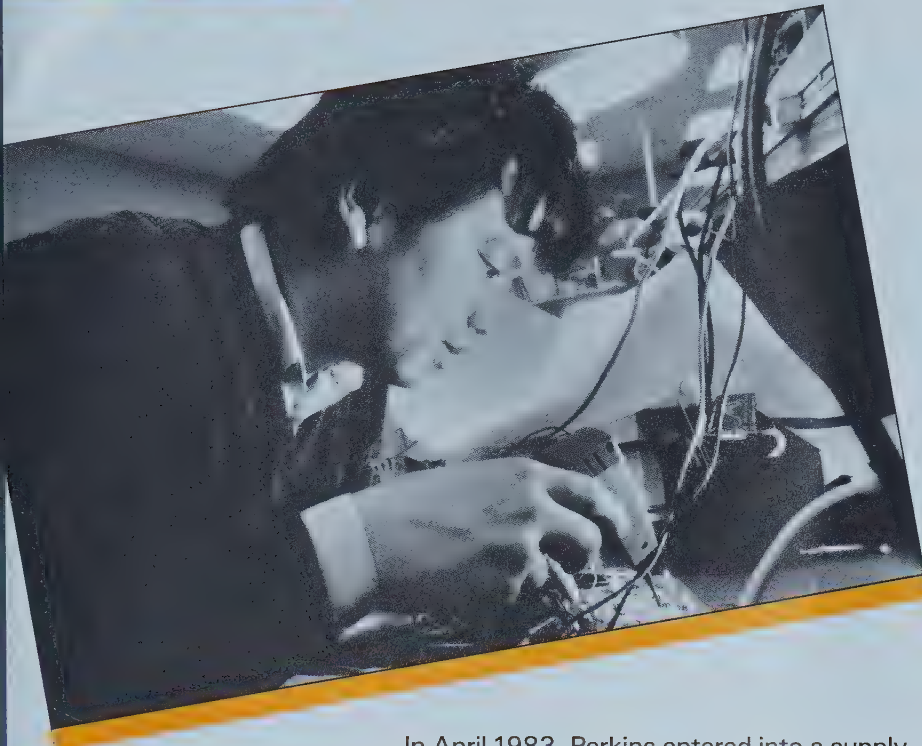
This acquisition, the first by Massey-Ferguson in 10 years, effectively complements the Perkins range of 30 to 300 horsepower, creating a product spectrum as comprehensive as any other proprietary diesel engine producer.

BUSINESS DEVELOPMENT

Joint ventures in the applications of diesel technology remain a pivotal element of the Perkins business development strategy.



This 265-horsepower unit is the latest addition to the Rolls-Royce range of Eagle diesel engines for heavy-duty trucks. The Rolls-Royce diesel business has become part of Massey-Ferguson's Perkins Engines Division.



MF's Central Electronics Group is developing applications for the latest electronic technology to our products. Here, in the Group's Ontario laboratory, technician Donald Lem prepares an analog/digital conversion board for use in combines.

In April 1983, Perkins entered into a supply agreement with Austin Rover in the United Kingdom for the manufacture and sale of two jointly produced, high-speed direct injection diesel engines. This project, which represents a world-wide technological breakthrough, is based on Austin Rover's two litre "O" series gasoline engine. Of the diesel derivatives, one is naturally aspirated and the other turbocharged.

Austin Rover will offer diesel versions of its passenger cars commencing in 1985. Perkins will market the new engines to other manufacturers for all applications.

The technological innovation was achieved in the use of direct injection on high-speed diesel engines–a technology that automobile and engine manufacturers throughout the world are researching.

NEW PRODUCTS

During 1983, the Perkins range of diesel engines was further strengthened by the introduction of a new series of engines and by several improvements in existing products.

A new family of three-cylinder engines was launched for forklift trucks, compressors, generating sets, and small agricultural tractors. The new engines, known as the 3.1524 (152 cu. in.) series, offers low fuel and oil consumption, improved emission quality, greater reliability and durability, and increased power output of up to six per cent over a previous design.

The eight-cylinder, turbocharged TV8.540 (540 cu. in.) received a British Standard AU141a certificate for power output of 194 kW (260 brake horsepower), giving further evidence of the engine's high performance capability. The TV8.540 was previously rated to a maximum 175 kW (235 bhp).

Industrial Machinery Division

This new division, organized to advance Massey-Ferguson's competitive prospects in a specialized marketplace, supplies a growing range of industrial machinery through a world-wide network of more than 150 major independent distributors and approximately 1,000 retail outlets.

Based in our existing facility in Manchester, England, MF Industrial Limited is responsible for all aspects of design, production and marketing of industrial machinery products, and for after-market support activities in service and replacement parts.

MARKET CONDITIONS

In the period 1979-83, international industry sales in the markets we serve slumped by 50 per cent, to 33,000 units. During the latter months of 1983, the long downturn halted, and the market recovered by a modest two or three per cent.

This upward trend is expected to continue in 1984, led by increased residential and commercial building in North America and parts of Europe. Demand for light construction equipment is also influenced by the emerging upturn in capital outlays for highway maintenance and modernization projects.

However, continuing uncertainty regarding interest rates, particularly in the United States, exerts a dampening effect on the immediate sales outlook. OPEC territories, which have been major consumers of industrial machinery, are scaling back capital investments to reflect the softer world market for petroleum products.

SALES PERFORMANCE

In North America, which represents more than 50 per cent of the potential world-wide market, Massey-Ferguson traditionally has been strong in the tractor loader sector with a market share exceeding 20 per cent.

In Europe, where the total market has stablized at 11,000 units since 1981, we benefitted from rising demand in the United Kingdom and West Germany. The quickening pace of residential construction in the U.K. elevated the market substantially in 1983, allowing MF Industrial to boost its share of the backhoe loader sector. The local government market posted even larger gains, and MF continued to fill more than half the demand for industrial tractors.

West Germany's market rebounded sharply in 1983 in the general economic resurgence, with demand for industrial machinery climbing 50 per cent above the prior year's abnormally low level. We maintained our grip on more than 20 per cent of the German market for

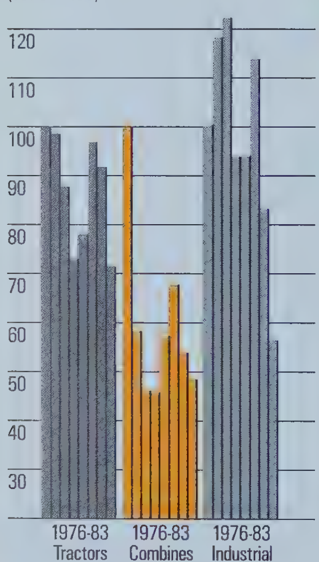
backhoe loaders. In Austria and Denmark, our sales gained by more than half, resulting in higher market shares.

NEW PRODUCTS

The introduction of the U.K.-built products, replacing products phased out with the termination of manufacturing operations in Detroit, was greeted warmly by North American dealers assembled for sales conferences in Orlando, Florida, last December. The equipment range was augmented by the improved 50F line of intermediate backhoe loaders, first introduced in 1982.

MF Industrial's marketing group, pursuing the corporate policy of asset rationalization, is seeking to extend the product range by supplying Massey-Ferguson engine/drivetrain packages to independent specialist manufacturers capable of building equipment to our specifications. This program generated the 1983 launch of rough-terrain forklift trucks, manufactured in France and covering the range of two to 3.5 tons capacity, which are being marketed through selected MF distributors in Europe.

MIDDLE EAST, ASIA, AFRICA AND AUSTRALASIA INDUSTRY UNIT RETAIL SALES
(1976 = 100)



Australia Division

Established as a stand-alone operation in the divisional re-structure of mid-1983, the Australia Division improved its share of market in combine harvesters, due largely to customer acceptance of the MF 5500 combine in its first full season of production. Massey-Ferguson's share of the farm tractor market was maintained.

Industry sales of combines climbed 28 per cent above the record low level of 1982; tractor sales declined five per cent.

The Division achieved particular success during the year in reducing stocks of dealer and Company wholegoods inventories.

After the country's worst drought in history subsided early in 1983, the rural economy rebounded vigorously to post a record output of cereal crops. While this resurgence had little effect on our operations during the past year, it has raised hopes for substantially improved results in 1984.

Components Division

By intensified marketing efforts, the Components Division in its first full year of operation as a stand-alone unit increased its sales in Europe and North America. The Division is supplying its products to 103 original equipment makers.

Sales of hydraulic valves advanced by more than 300 per cent, to 200,000 units, while sales of hydraulic cylinders improved seven per cent, to 320,000 units. The Division also produces chains, gears, clutches, and other machinery components.

Based at the MF plant in Eschwege, West Germany, the Division raised export sales substantially, with exports accounting for 57 per cent of all sales in 1983, against 49 per cent a year earlier. Major export markets in Europe are the United Kingdom, France, Belgium and The Netherlands.

In North America, contracts were awarded by major producers of material handling equipment, with volume output commencing in the latter months of 1983; under these contracts, at least five per cent of the Division's 1984 output of hydraulic components will be absorbed by North American customers. Contract negotiations and prototype validation on programs with U.S.-based construction machinery companies reached advanced stages at year end.

Canadian Foundries Division

Ductile and gray iron castings produced by this Division were delivered to more than 70 customers–33 more than a year earlier–in Canada and the United States.

The Division is composed of two operating entities. The Kanmet Foundry, located in Cambridge, Ontario, specializes in ductile iron castings with an annual capacity of 12,500 tons. The Brantford Foundry, located in Brantford, Ontario, produces gray iron castings; its yearly capacity is 45,000 tons.

Supply contracts with new customers obtained by the Kanmet Foundry in 1983 permitted the Division to maintain deliveries at approximately the prior year's depressed level. Demand from older customers, concentrated in the agricultural and industrial machinery sectors, continued to slacken due to economic conditions.

Trade & Barter Division

In the developing world, where Massey-Ferguson is the leading supplier of farm machinery, the importance of agricultural mechanization ranks high, yet the need to raise and conserve foreign exchange can be even greater. This dilemma influenced us to create in 1982 a unit to guide our participation in the rising volume of countertrade and, in the process, increase our share of international commerce in the products we sell.

Trade & Barter is responsible for anticipating and proposing mutually agreeable arrangements for barter deals, and for executing the transactions.

The Division has strengthened its managerial and trading staffs. In the U.K., trading activities have been consolidated at a single office in London; a trading office is also being opened in New York.

Note: Effective November 1, 1982, the Company changed its year end from October 31 to January 31. Hence the following discussion compares results of operations for the twelve month periods ended January 31, 1984 with October 31, 1982; twelve months October 31, 1982 and 1981 and also three months ended January 31, 1983 with three months ended January 31, 1982.

RESULTS OF OPERATIONS

In spite of a continuing decline in world markets for farm and industrial machinery and diesel engines, Massey-Ferguson Limited substantially improved its financial performance in fiscal 1983.

The Company reported a net loss of $68.0 million for the year ended January 31, 1984 (fiscal 1983) compared to net losses of $413.2 million and $194.8 million for the twelve months ended October 31, 1982 and 1981, respectively. Included are net exchange losses (gains) of $4.3 million, $37.4 million and ($28.5) million, and provisions for reorganization costs of $15.9 million, $170.8 million and $5.1 million in 1983, 1982 and 1981, respectively.

Under generally accepted accounting principles in the United States, there would be a net income of $61.1 million in the year ended January 31, 1984, and net losses of $403.4 million and $206.1 million for the years ended October 31, 1982 and 1981, respectively. The net income for the year ended January 31, 1984 primarily resulted from an extraordinary gain of $120.6 million (net of related costs of $8.0 million) related to the conversion of debt under the 1983 refinancing program. Under Canadian accounting principles, this gain was included in contributed surplus in shareholders' equity.

The following table summarizes certain key financial figures for recent years.

	Millions of U.S. Dollars Twelve Months Ended		
	January 31 **1984***	October 31 1982	October 31 1981
Sales	**$1,535.0**	$2,058.1	$2,646.3
Net Loss	**$68.0**	$413.2	$194.8
Non-operating items:			
Net exchange adjustment	**4.3**	37.4	(28.5)
Provision for unusual costs and reorganization expense	**15.9**	170.8	5.1
Operating loss	**$47.8**	$205.0	$218.2

*The results for the year ended January 31, 1984 include the impact of two changes in accounting method, discussed later.

Despite lower sales, principally due to the extremely depressed market conditions in the farm machinery industry, the Company significantly improved its financial results. This was achieved by the implementation of cost reduction programs designed to substantially reduce the cost of operations including manpower reductions; plant closures and rationalization; asset reduction and improved productivity.

On a world-wide basis, the year ended January 31, 1984 witnessed a further deterioration in the already depressed farm machinery markets. In North America, industry retail sales of agricultural tractors were down 8% and sales of combine harvesters were down 30% from already depressed 1982 levels. The following table compares industry retail unit sales for the periods specified below.

Industry Retail Unit Sales Percent (Decrease) Increase

	Twelve months ended January 31, 1984 compared to twelve months ended October 31, 1982			
	North America	Europe	Latin America, Asia, Africa and Other	World Wide Total
Agricultural tractors	(8)%	(1)%	(12)%	(6)%
Combines	(30)%	(4)%	(8)%	(16)%
Industrial tractors	13%	3%	(40)%	(1)%

A trend toward sales of more expensive higher horsepower tractors may have mitigated the effect on revenues of the decline in unit sales during this period.

This continued reduction in demand for farm equipment in North America principally reflected the adverse impact of the U.S. government programs introduced in late 1982 to reduce agricultural commodity surpluses by taking cropland out of production. In Europe, where there had been a marginal improvement in the markets in 1982, there has been a steady deterioration since the first quarter of 1983. While recovery in the U.K. and German markets has continued, substantial reductions have occurred in the major markets of France and Italy where government policies of fiscal conservatism following the failure of stimulative policies in 1982 are having a negative impact on growth. The agricultural environment in Europe has also been adversely affected by uncertainty surrounding potential changes in the agricultural and farm support policy of the European Common Market and by the temporary suspension of support payments to farmers. The markets in Latin America, Africa, Asia and Australia continued to be weak with the developing countries remaining severely handicapped by their debt problems and the generally weak commodity prices.

The Company improved its market share of combine harvesters and its share of agricultural tractors declined slightly in the year ended January 31, 1984 compared with the twelve months ended October 31, 1982.

There was no significant improvement in the worldwide market for diesel engines during the year ended January 31, 1984. A partial recovery in demand in North America was offset by continuing weakness in Europe and the rest of the world.

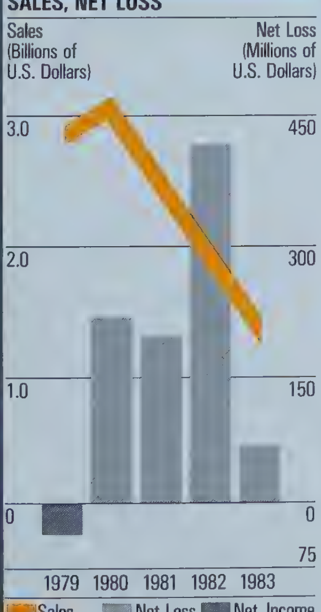
Years Ended January 31, 1984 and October 31, 1982

Sales

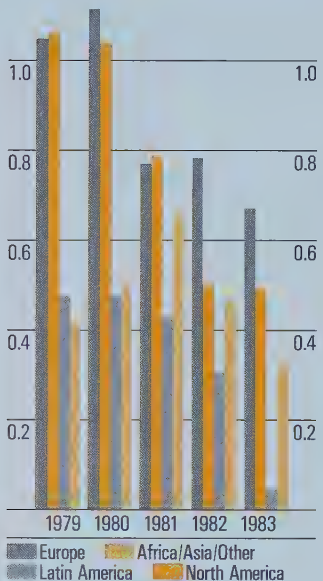
Wholesale sales of $1,535 million for the year ended January 31, 1984 were 25.5% ($523 million) below sales for the year ended October 31, 1982. However, on an exchange adjusted basis and after the elimination of sales of the Company operations in Brazil and Argentina from 1982 sales, current year sales were only about 3.8% ($59 million) below sales for the twelve months ended October 31, 1982.

Farm and industrial machinery sales were $1,292 million, a decrease of $368 million

SALES, NET LOSS



SALES IN MAJOR MARKETS
(Billions of U.S. Dollars)



(22.2%). Sales of diesel engines were $243 million, a decrease of $155 million (39.0%). About $177 million (11%) and $85 million (22%) of the declines in farm and industrial machinery sales and engine sales, respectively, represented the exclusion of sales of operations in Brazil and Argentina.

On a regional basis, sales in Europe were $667.2 million, down 14.9% ($117.2 million); North American sales were $492.4 million, down 2.5% ($12.7 million); sales in Asia, Africa and Australasia were $338.4 million, down 27.2% ($126.4 million); sales in Latin America were $37.0 million, down 87.8% ($266.8 million). The decline in sales in Latin America principally reflected the exclusion of sales of the previously consolidated subsidiaries of Argentina and Brazil. The decline in European sales was primarily due to exchange rate variations; and the decline in sales in Asia, Africa and Australasia reflected the depressed economic environment in these regions.

Costs and expenses

In fiscal 1983, cost of goods sold at average rates of exchange were 81.5% of sales compared to 83.0% of sales in the twelve months ended October 31, 1982. The improvement in margins in 1983 was achieved despite extremely competitive conditions and reflected a combination of several factors: the favourable impact of a weakening of the European currencies from which the Company sources the majority of its products; lower costs due to tight control of material and labour cost increases and improved productivity resulting from plant rationalization actions. These factors were partially offset by the continued need for discounting and incentive programs to stimulate sluggish demand particularly in North America.

The cost of sales for the year ended October 31, 1982 were further increased to 87.9% of sales due to the adjustment for exchange rate changes, required under the prior method of accounting for exchange. Commencing February 1, 1983, the Company adopted the new method recommended by the Canadian Institute of Chartered Accountants under which no such adjustment was required.

Marketing, general and administration expenses of $218 million (14.2% of sales) for fiscal 1983 were significantly reduced from $345.7 million (16.8% of sales) for the twelve months ended October 31, 1982. The lower costs in 1983 reflect cost reduction programs, the exclusion of previously consolidated subsidiaries of Brazil and Argentina and a change in the method of accounting for pension costs. The change in accounting for pension costs reduced 1983 costs by $18.7 million.

Engineering and product development expenses were reduced from $47.9 million for the twelve months ended October 31, 1982 to $35.4 million for fiscal 1983, in line with management's overall cost reduction programs. These expenditures were 2.3% of sales during both periods.

As explained in Notes 3 and 17(a)(i) to the Consolidated Financial Statements, the Company continues to record interest expense with respect to debt subject to interest waiver or conversion programs, although the amount of interest expense recorded may be reduced under applicable accounting principles. For fiscal 1983, net interest expense of $89.7 million (5.8% of sales) was significantly below the expense of $186.7 million (9.1% of sales) in the twelve months ended October 31, 1982. This decrease can be attributed to lower interest rates; reduced borrowing levels resulting from lower operating assets; and the favorable impact of the refinancing agreements with the lenders.

As discussed in detail later, effective February 1, 1983, the Company changed its method of foreign exchange accounting. The 1983 exchange loss of $4.3 million essentially reflected the impact of exchange rate changes on balances arising from normal business activities. Net exchange loss of $37.4 million (exchange adjustments net of foreign currency exchange rate changes in cost of goods sold) for the twelve months ended October 31, 1982, included unrealized translation gains and losses under the prior method of accounting. (See Note 2(a) to the Consolidated Financial Statements.)

Miscellaneous income of $4.8 million for fiscal 1983, was lower than $13.5 million for the year ended October 31, 1982 due to lower royalty and project income; lower profit from sale of fixed assets and lower dividends from affiliated companies.

Tax recoveries of $1.2 million and $3.3 million for the years ended January 31, 1984 and October 31, 1982 respectively, primarily relate to the U.S. manufacturing operations where taxable losses were offset to the extent of taxable income in the U.S. Finance Subsidiary.

Equity in Net Income of Finance Subsidiaries

The net income of Finance Subsidiaries of $5.6 million for the year ended January 31, 1984 was lower than the $8.4 million earned for the twelve months ended October 31, 1982 primarily due to lower income support payments paid by the Canadian manufacturing company to the Canadian Finance Company. This resulted in lower income to the finance company, offset by lower marketing expense in marketing, general and administration expenses in the Canadian manufacturing company.

Unusual Costs and Reorganization Expense

The provisions for unusual costs and reorganization expense were $15.9 million and $170.8 million for the twelve months ended January 31, 1984 and October 31, 1982, respectively. The 1982 provisions represented the estimated costs of major programs to rationalize facilities, reduce manpower levels, and liquidate inventories, primarily in North America where the Company announced the closure of all manufacturing facilities in the United states. During 1983 the Company progressively implemented the rationalization and reorganization actions and the costs of these actions were charged against the provision with no significant variances. While the Company has now ceased all manufacturing activities in the United States, it is continuing its efforts to sell certain properties which were written down to an estimated net realizable value of about $20.0 million. No sales are imminent but the Company is finalizing negotiations involving leasing a substantial portion of one of its properties. The Company still expects to recover the written down book value from the sale of the properties. If the Company's expectations are not realized, further write downs may occur. Certain other costs related to the 1982 provisions still remain to be incurred. Management believes the remaining provisions in the accounts are adequate to cover the expected costs.

The continuing deterioration in market conditions during 1983 has required further actions by management, principally involving reductions of employee levels in the U.K. The estimated costs of these actions were included in the 1983 Consolidated Financial Statements as provisions for unusual costs.

Changes in Accounting Method

Results for fiscal 1983 were affected by two changes in accounting method, namely the method of foreign currency translation and the method of accounting for pension costs in the United Kingdom subsidiaries. (See Note 2 to the Consolidated Financial Statements.) Under the prior methods of exchange and pension accounting, the net loss for fiscal 1983 would have been higher by $17.9 million.

The new exchange accounting method resulted in an unfavorable translation adjustment in shareholders' equity of $68.3 million at January 31, 1984. This adjustment primarily reflected the difference in the historic rate U.S. dollar value of net foreign assets, mainly plant and equipment, compared to their current rate U.S. dollar value. At February 1, 1983 this translation adjustment was $64.1 million.

Three Months Ended January 31, 1983 and 1982

The Company incurred a net loss of $94.4 million for the three months ended January 31, 1983 including a net exchange loss of $9.1 million. The net loss for the comparable 1982 period was $73.5 million including a net exchange loss of $8.4 million and a provision for unusual costs and reorganization expense of $10.4 million. As indicated in Note 17(a) to the Consolidated Financial Statements, the net loss for the three months ended January 31, 1983 under generally accepted accounting principles in the United States would have been $89.8 million.

The loss for the three months ended January 31, 1983 was primarily due to the substantially lower wholesale sales resulting from a shrinking industry market, particularly in North America and Latin America. The following table compares 1983 three month industry retail unit sales with the comparable 1982 period:

Industry Retail Unit Sales Percent (Decrease) Increase

	Three months ended January 31, 1983 compared to three months ended January 31, 1982			
	North America	Europe	Latin America Asia Africa and Other	World Wide Total
Agricultural tractors	(28)%	5%	(18)%	(10)%
Combines	(18)%	3%	(32)%	(15)%
Industrial tractors	(15)%	10%	(46)%	(17)%

A trend toward sales of more expensive high horsepower tractors may have mitigated the effect on revenues of the decline of industry unit sales during this period. Cash flow from operations in the three months ended January 31, 1983 was substantially improved from the same period in 1982 due to cash conservation measures. For the quarter ended January 31, 1983, the Company was close to breakeven on a cash basis from operations with a negative cash flow of only $5.7 million, compared with a negative cash flow of $47.0 million in the comparable 1982 quarter.

Sales

Wholesale sales for the three months ended January 31, 1983 of $313 million were 35% lower than 1982 sales of $481 million. After adjusting for changes in exchange rates, 1983 sales were 28% lower than 1982. Farm and industrial machinery sales of $255 million were 33% lower and diesel engine sales of $58 million were 42% below comparable 1982 sales.

On a regional basis, European sales in both the Company's business segments were $152 million, down 2% from the three month period ended January 31, 1982. This decline was largely the result of a change in exchange rates. On an exchange adjusted basis, sales in Europe were higher by 6% reflecting the Company's participation in the slight upturn in industry conditions. Sales in North America were $43 million, down 68%; sales in Asia, Africa and Australasia were $73 million, down 41%; and Latin America sales were $45 million, down 33%. The decline in wholesale sales in North America was due to low shipments to dealers to balance dealer stocks.

The decrease in sales in Latin America and other regions reflected the continuing problems in those sectors of the world economy as the effects of very high interest rates lingered, and due to the effects of low commodity prices and the general slowdown in economic development programs in the oil-producing nations.

Costs and Expenses

In the three months ended January 31, 1983, cost of sales, at average exchange rates, were 90% of sales compared to 84% in 1982. The increase in costs as a percent of sales reflects increased per unit costs because of lower sales and a less favorable sales mix, compared to 1982. Also, 1982 cost of sales were favorably affected by relatively high production in that quarter.

The marketing, general and administration expenses of $70.9 million for the three months ended January 31, 1983 were $11.3 million lower compared to 1982 as a result of reductions in manpower and tight control of costs. Notwithstanding these reductions, these expenses as a percent of sales have increased from 17% in 1982 to 23% in 1983 due to substantially lower sales in the 1983 period.

Interest expenses decreased by $5.1 million in 1983 from $48.3 million in 1982 due to a decline in interest rates and lower borrowing levels. See Notes 3 and 17(a) to the Consolidated Financial Statements.

Equity in Finance Subsidiaries

The Net income of Finance Subsidiaries for the three months ended January 31, 1983 was $1.4 million compared to $6.9 million for the three months ended January 31, 1982. This reduction was principally caused by exchange losses in the U.K. Finance Subsidiaries due to a decline in the value of the pound sterling and because of lower net income in the North American Finance Subsidiaries, primarily due to lower income support payments from the manufacturing companies and to increased provision for losses on receivables due to the poor market conditions.

Fiscal Years Ended October 31, 1982 and 1981

Industry Conditions

1982 witnessed a worsening of the depressed market conditions which have seriously affected the farm and industrial machinery business for the past several years. Another year of bumper grain harvests in the principal producing countries of the western world increased surplus grain stocks which further depressed commodity prices from already historically low levels. The combination of low commodity prices and the general effects of the economic recession induced by high interest rates served to undermine farmers' and consumers' confidence resulting in the sixth successive year of declining industry retail sales of farm and industrial equipment.

The severe reduction in demand that occurred in the principal markets during 1982 is evident from the following table:

Industry Retail Unit Sales Percent (Decrease) Increase

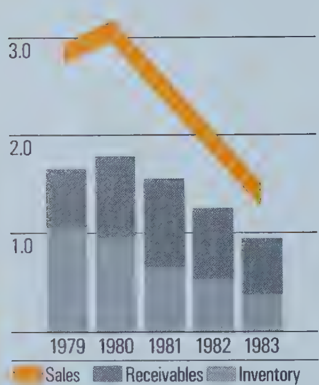
	Twelve months ended October 31, 1982 compared to twelve months ended October 31, 1981			
	North America	Europe	Latin America	World Wide Total
Agricultural tractors	(18)%	(1)%	(18)%	(8)%
Combines	(29)%	(11)%	(21)%	(15)%
Industrial tractors	(26)%	(2)%	(27)%	(21)%

A trend toward sales of more expensive high horsepower tractors may have mitigated the effect on revenues of the decline of industry unit sales during this period.

Demand for the other principal product of the Company–diesel engines–is largely dependent on the general level of industrial activity, particularly construction and purchases of vehicles and capital equipment. Due to the general recession, industry sales of diesel engines have substantially declined during this period, particularly in the major markets of North America and Brazil.

SALES, COMPANY INVENTORY AND RECEIVABLES

(Billions of U.S. Dollars)



Company Results

The Company had foreseen the likelihood of continuing adverse industry conditions and cost control efforts had therefore been intensified. As a result the significant reductions in operating costs largely offset the adverse profit impact of the decline in sales and the Company reported a smaller operating loss in 1982 than in 1981.

The 1982 operating loss of $205.0 million compared favorably with the 1981 operating loss of $218.2 million. This improvement was achieved despite a 22% reduction in sales from $2,646 million in 1981 to $2,058 million in 1982 and reflected tight cost control and the favorable effect on 1982 operating costs of certain downsizing activities which the Company had initiated in 1981 and earlier years.

Two non-operating items–provision for unusual costs and reorganization expense of $170.8 million and a net exchange loss of $37.4 million–increased the net loss in 1982 to $413.2 million.

Sales

1982 wholesale sales of $2,058 million, were 22% lower than 1981 sales of $2,646 million. Approximately 7% of this decline represented the effect of a strengthening U.S. dollar in reporting Company sales that are invoiced in currencies other than the U.S. dollar. The balance of the decline resulted from a reduction in volume partially offset by price increases which in general were below the rates of inflation. The reduction in volume reflected the decline in industry retail sales volume discussed earlier.

In the light of a rapidly shrinking market, the Company's efforts were focused on retaining market share and on conserving cash by maintaining a tight control on operating assets, specifically, on the level of dealer and Company inventories. In order to prevent excessive buildup of dealer inventories, the Company scheduled extensive plant closures in both 1982 and 1981, particularly in North America where the market downturn was most severe. These plant closures resulted in a reduced level of wholesale sales in both 1982 and 1981, and also adversely affected margins due to the need to incur certain minimum fixed costs during plant closure periods. While the impact of plant closures on 1982 and 1981 sales and income has been negative, the Company ended 1982 with dealer inventories at much reduced levels.

On a regional basis, 1982 sales were lower than 1981 sales in every region except Europe. Sales in North America were $505 million, down 35%; European sales were $784 million, up 2%; sales in Asia, Africa and Australasia were $465 million, down 30%, and Latin American sales were $304 million, down 30%.

In 1981 declining demand in the major markets of North America, Europe and Latin America was partially offset by fairly buoyant demand in the markets of Asia and Africa, where developing countries had commenced capital expenditure programs. In 1982, however, the effects of worldwide recession spread to these countries resulting in a substantial drop in demand. In addition, in 1982 there was a severe drought in Australia which also reduced demand. However, the markets in Europe stabilized and the Company increased sales in this region, particularly in the U.K.

The 1982 sales decline of 22% occurred fairly evenly across product groups. Farm and Industrial machinery sales declined 21% and engine sales declined 25%.

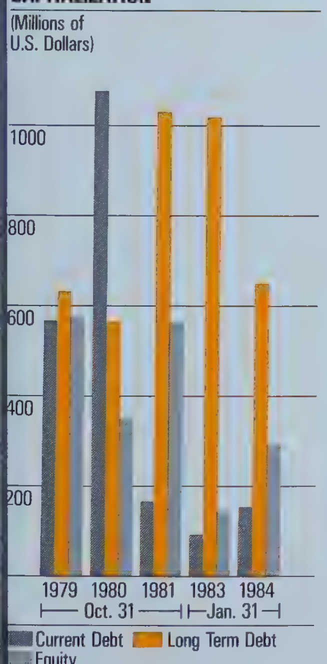
Costs and Expenses

Declining market demand and excess inventories across the industry created an environment in which sales could only be achieved by aggressive pricing. This put tremendous pressure on margins, but despite the steadily deteriorating conditions in the industry, the Company was able to hold its cost of sales at about 82% of sales for both years (on an average exchange rate basis). The Company's cost reductions were aided by a decline in the value of European and Canadian currencies relative to the U.S. dollar, since the Company has its principal manufacturing operations in these regions.

The Company intensified efforts to control administrative costs by tightening controls on expenditures and by reducing manpower. Selling and general and administrative expenses declined 16% in 1982 compared to 1981. 1982 total interest expense of $186.7 million was 30% lower than 1981, reflecting marginally lower interest rates and significantly lower average borrowing

EMPLOYMENT; PLANT SIZE

CAPITALIZATION



levels through the year. The lower average borrowing levels resulted from lower average assets resulting from the tight control of operating assets, as well as funds obtained from the 1981 refinancing.

Equity in Finance Subsidiaries

The net income of Finance Subsidiaries decreased from $15.5 million in 1981 to $8.4 million in 1982, largely due to a reduction in income support payments to the North American Finance Subsidiaries and increased provision for estimated losses on receivables due to the poor market conditions.

Unusual Costs and Reorganization Expense

In 1982 the Company provided $170.8 million towards the estimated costs of its rationalization and restructuring actions. These actions in 1982 included the closure and sale of the tractor plant in Sao Paolo, Brazil with production moved to the Company's larger combine plant in Canoas, in the South of Brazil; closure of two parts warehouses in North America; the disposal of the factory at Knowsley, in the United Kingdom; the closure of the foundry at Eschwege, in West Germany; and the closure of the tractor plant and the planned cessation of production during 1983 at the transmission and axle, and gear and shaft plants in Detroit. The Company also sold its subsidiary Massey-Ferguson Argentina S.A. and its 30% interest in Perkins Argentina S.A. The new owners will continue to produce MF tractors and Perkins diesel engines under license. Book losses on the sale of the Argentina interests amounted to $13.8 million, although there was no cash loss associated with this transaction.

Unusual costs and reorganization expense provided for in 1982 marked the culmination of a five-year program launched in 1978 to improve efficiency and downsize operations to realistic industry levels. The thrust of this program was to withdraw from fringe activities to enable the Company to concentrate its resources on its core businesses and maintain its position in its markets. Among the actions taken in the period since 1978 were manpower reductions which lowered employment levels from a high of more than 68,000 in 1976 to 27,609 at January 31, 1984, manufacturing space reductions of almost 9 million square feet or 36% by the closure or divestment of 15 plants since 1978, including the disposal of the Company's construction machinery business; the sale of businesses involved in office furniture, snowmobiles, lawn and garden tractors, Company-operated distribution and warehouse facilities as well as plants in Brazil, the U.K., the U.S. and West Germany and the Company's interests in farm machinery companies in Mexico, South Africa and Spain.

Net Exchange Adjustments

(Exchange adjustments net of foreign currency exchange rate changes in cost of goods sold)

The net exchange adjustment changed from a gain of $28.5 million in 1981 to a loss of $37.4 million in 1982. The gain in 1981 was due to the significant appreciation in the value of the U.S. dollar. The resulting gains in the European operations in 1981 offset the exchange loss recorded on the Latin American operations, particularly Brazil. In 1982 the appreciation of the U.S. dollar against the pound sterling was significantly lower than in 1981 and hence the exchange gains recorded on European operations were not sufficient to offset the exchange losses in Brazil, resulting in a net exchange loss for 1982.

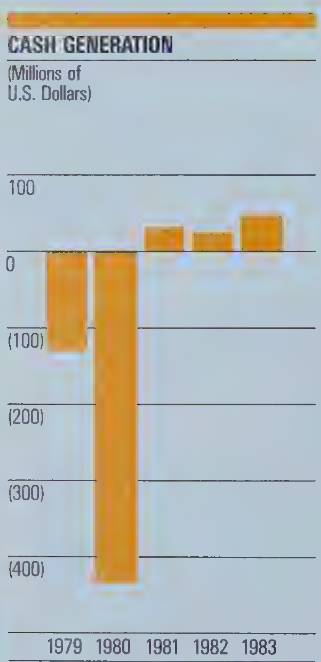
FINANCIAL CONDITION, LIQUIDITY, FINANCIAL RESOURCES

During the last few years, operating losses have adversely affected the financial condition of the Company and resulted in a serious drain on the Company's liquidity. Shareholders' equity, which was $569.7 million at October 31, 1981 decreased to $236.6 million at the end of October 1982 and to $143.4 million at January 31, 1983 as a result of losses in 1982 and the three months ended January 31, 1983.

On March 7, 1983 the Company concluded agreements with its lenders which basically comprised a combination of interest or principal conversion and forgiveness. The benefits from these agreements were designed to improve the long-term financial stability of the Company and are disclosed in the Consolidated Financial Statements as of January 31, 1983, on a pro forma basis. (See Note 3 to the Consolidated Financial Statements). The contribution by lenders, through a reduction in interest and principal, resulted in an increase in contributed surplus of $178.1 million (after charging costs of restructure of $13.3 million incurred to January 31, 1984). The agreement by the lenders to accept Common Shares and other securities convertible into or exchangeable for Common Shares of the Company in settlement of part of the outstanding and unpaid interest at March 7, 1983 and for interest accruing to January 31, 1984 and for part of the principal at March 7, 1983, resulted in an increase in Common Share capital and other paid-in capital by $99.5 million. As a result of the refinancing the shareholders' equity at January 31, 1984 of $285.4 million was substantially improved from $143.4 million at January 31, 1983 while long-term debt was reduced from $1025.3 million to $653.4 million during the same period. Current portion of long-term debt increased from $19.0 million to $95.7 million.

The other major change in the January 31, 1984 balance sheet compared to the January 31, 1983 balance sheet pertains to the decline in net fixed assets of $76.7 million primarily due to the adoption of new exchange accounting rules as discussed in Results of Operations.

The Company has operated under strict cash conservation measures since 1981. While this has adversely affected the Company's operating results, it has improved liquidity. Primarily as a result of these measures, the Company was able to generate positive cash flow from operations of $44.8 million in fiscal 1983 and $21.4 million in 1982. The positive cash flow from operations in 1983 and 1982 principally reflected a reduction in receivables and inventories and in 1983 included $26.4 million in respect of dividends received from unconsolidated Finance Subsidiaries in excess of equity in earnings. Receivables (including those due from unconsolidated subsidiaries) stayed relatively unchanged in 1983 after being reduced $281.4 million in 1982. Inventories were reduced by $115.0 million in 1983 following a reduction of $121.2 million in 1982. The positive cash flow from operations also reflected the effects of non-payment of interest for 1983 and part of 1982. In addition, the 1982 net loss included $170.8 million



of provision for unusual costs and reorganization expense, of which approximately two-thirds represents costs not involving an immediate outlay of cash.

Notwithstanding an increase in the net loss in the three months ended January 31, 1983, compared to the same period in 1982, the Company was able to improve the cash flow from operations from a negative $47.0 million in the three months ended January 31, 1982 to a negative $5.7 million in the three months ended January 31, 1983.

The Finance Subsidiaries have also had significant positive cash flow from receivables transactions and operations of $194.0 million and $155.1 million for the twelve months ended January 31, 1984 and October 31, 1982 respectively.

In spite of the improvement in some aspects of the financial condition of the Company at January 31, 1984 compared to January 31, 1983, the Company is adversely affected by the continuing decline in the world-wide markets for farm and industrial equipment to levels well below 1982. This resulted in U.S. Finance going into default with respect to one of the financial covenants agreed to in the FDP (see Note 3(c) to the Consolidated Financial Statements). However, this default has since been rectified.

Substantially all of the consolidated net assets of the Company's subsidiaries are restricted against transfer to the parent company under covenants contained in credit facilities and loan agreements. While intercompany payments to MF Limited and MF Nederland are permitted at levels which will be sufficient to fund their obligations through October, 1984, funding thereafter will be dependent upon the availability of financing from sources other than the Company's subsidiaries and the willingness of the Company's lenders to extend current intercompany funding arrangements.

The Company, which generated a positive cash flow from operations of $44.8 million in 1983, has met its debt repayment obligations to date. Also subsequent to January 31, 1984 the Company has received approximately Cdn.$30.0 million from the exercise of outstanding warrants. Liquidity conditions through the next fiscal year are expected to remain tight but the Company expects to be able to meet its need for funds for capital expenditures, operations and scheduled repayments of debt from existing sources, including the proceeds received after January 31, 1984 from the exercise of the warrants. Since present manufacturing facilities are adequate to meet current demand and are well maintained, no major increases in normal capital expenditures are planned. (See Note 10(c) to the Consolidated Financial Statements.) In the period February 1, 1984, to January 31, 1985, approximately $137 million of long-term debt is repayable (including debt of Finance Subsidiaries). The repayment of debt maturities in the future is principally dependent on a positive cash flow from operations (which will require some improvement in market conditions) and additional external financing either from existing or other sources. The completion of interest forgiveness and conversion programs will further increase the need to maintain a positive cash flow from operations.

In view of the continuation of depressed market conditions, the negative effect that such conditions are likely to have on the Company's operating results and financial condition and the numerous complexities of the Company's credit facilities and loan agreements, the Company believes that certain events of non-compliance under its credit facilities and loan agreements are likely to occur. Although management believes that the Company can resolve these situations through appropriate actions including discussions with lenders, prior to their being declared events o default by lenders, failure to resolve such events c non-compliance if they occur could result in the Company being declared in default and in the acceleration of the maturities of its outstanding debt and, ultimately, in the bankruptcy or liquidation of the Company. However, on the positive side, the Company has taken a great deal of action over the past five years to size itself to realistic break-even levels, and is beginning to show the benefits from these actions.

Consolidated Statements of Income

Massey-Ferguson Limited

(Millions of U.S. Dollars except per Share Amounts)

Three months ended January 31 1983	1982 (Unaudited)		Year ended January 31 **1984** (Note 2)	Years ended October 31 1982	1981
$313.3	$480.6	**Net Sales**	**$1,535.0**	$2,058.1	$2,646.3
		Costs and Expenses:			
281.3	402.1	Cost of goods sold, translated at average exchange rates for the period	**1,251.3**	1,708.0	2,171.9
21.8	18.5	Effect of foreign currency exchange rate changes *(Note 2(a))**		100.0	161.5
303.1	420.6		**1,251.3**	1,808.0	2,333.4
70.9	82.2	Marketing, general and administration (Note 17(e))	**218.0**	345.7	412.9
9.4	13.7	Engineering and product development	**35.4**	47.9	57.1
32.5	32.3	Interest on long-term debt *(Note 14)*	**69.6**	137.3	91.9
7.9	11.3	Interest paid to unconsolidated Finance Subsidiaries	**28.0**	39.1	56.0
2.8	4.7	Other interest (income) expense (net) *(Note 14)*	**(7.9)**	10.3	117.3
(12.7)	(10.1)	Exchange adjustments *(Notes 14 and 2(a))*	**4.3**	(62.6)	(190.0)
(2.6)	(2.5)	Miscellaneous income	**(4.8)**	(13.5)	(18.3)
411.3	552.2		**1,593.9**	2,312.2	2,860.3
98.0	71.6	**Loss before Items Shown Below**	**58.9**	254.1	214.0
	10.4	Provision for Unusual Costs and Reorganization Expense *(Note 15)*	**15.9**	170.8	5.1
(2.2)	(1.6)	Income tax recovery *(Note 8)*	**(1.2)**	(3.3)	(8.8)
(1.4)	(6.9)	Equity in net income of Finance Subsidiaries	**(5.6)**	(8.4)	(15.5)
$94.4	$73.5	**Net Loss for the Period**	**$68.0**	$413.2	$194.8
$1.74	$1.84	**Loss per Common Share** *(in U.S. Dollars) (Note 16)*	**$0.93**	$8.95	$8.60

*Prior to February 1, 1983, this item represented the difference between cost of goods sold translated to U.S. dollars at average exchange rates and such costs translated at historical rates.

(See accompanying Notes to Consolidated Financial Statements.)

Consolidated Balance Sheets

Massey-Ferguson Limited (Incorporated under the Laws of Canada)

(Millions of U.S. Dollars)		January 31 **1984** (Note 2(a))	*Pro Forma January 31 1983 (Note 3(b))*	January 31 1983
ASSETS				
Current Assets:	Cash and short-term investments	**$ 60.9**	*$ 59.4*	$ 96.9
	Due from unconsolidated subsidiaries	**43.2**	*34.7*	34.7
	Receivables *(Note 5)*	**483.5**	*492.2*	492.2
	Inventories			
	Raw materials and work in process	**181.6**	*236.7*	236.7
	Finished goods	**301.5**	*361.4*	361.4
	Total inventories	**483.1**	*598.1*	598.1
	Prepaid expenses and other current assets *(Note 8)*	**45.7**	*58.2*	58.2
Total Current Assets		**1,116.4**	*1,242.6*	1,280.1
Investments:	Finance Subsidiaries–			
	Shares, at equity in net assets	**164.3**	*192.9*	192.9
	Long-term advance to previously consolidated subsidiary *(Note 4)*	**14.0**	*11.4*	11.4
	Associate Companies, at cost	**12.8**	*17.2*	17.2
	Other	**23.0**	*19.6*	19.6
		214.1	*241.1*	241.1
Fixed Assets:	Land	**8.6**	*12.0*	12.0
	Buildings	**159.2**	*214.6*	214.6
	Machinery and equipment	**431.7**	*590.1*	590.1
	Production tooling	**25.8**	*49.7*	49.7
		625.3	*866.4*	866.4
	Accumulated depreciation and amortization	**415.7**	*580.1*	580.1
	Net Fixed Assets	**209.6**	*286.3*	286.3
Other Assets and Deferred Charges		**40.9**	*30.2*	35.2
		$1,581.0	*$1,800.2*	$1,842.7

On behalf of the Board:
Victor A. Rice, Director
J. Page R. Wadsworth, Director

		January 31 **1984** (Note 2(a))	Pro Forma January 31 1983 (Note 3(b))	January 31 1983
LIABILITIES				
Current Liabilities:	Bank borrowings *(Note 6)*	**$ 62.7**	*$ 66.4*	$ 67.7
	Current portion of long-term debt *(Note 9)*	**95.7**	*59.6*	19.0
	Due to unconsolidated subsidiaries	**2.7**	*5.2*	5.2
	Accounts payable	**207.0**	*240.3*	240.3
	Accrued charges *(Note 7)*	**183.6**	*237.8*	270.2
	Income, sales and other taxes payable	**4.1**	*3.2*	3.2
	Advance payments from customers	**4.4**	*3.9*	3.9
Total Current Liabilities		**560.2**	*616.4*	609.5
Deferred Income Taxes *(Note 8)*		**7.9**	*9.3*	9.3
Long-Term Debt *(Note 9)*		**653.4**	*718.7*	1,025.3
Due to Unconsolidated Subsidiary		**20.8**		
Pension and Other Employee Benefits		**50.5**	*51.9*	51.9
Minority Interest in Preferred Shares of Subsidiaries		**2.8**	*3.3*	3.3
CONTINGENT LIABILITIES AND COMMITMENTS (Notes 3(b), (c) and 10)				
SHAREHOLDERS' EQUITY				
	Share Capital *(Note 11)*			
	Redeemable Preferred Shares *(Note 17(b))*	**454.4**	*454.4*	454.4
	Common Shares (Issued and outstanding: January 31, 1984–91,673,530; Pro Forma January 31, 1983–88,052,494; January 31, 1983–57,388,749)	**97.6**	*87.8*	18.6
	Other Paid-In Capital *(Note 3(b))*	**21.2**	*8.7*	
	Contributed Surplus *(Notes 3 and 11)*	**471.8**	*477.8*	293.7
	Deficit (net of retained earnings of unconsolidated Finance Subsidiaries: January 31, 1984–$102.9; January 31, 1983–$127.8) *(Note 12)*	**(691.3)**	*(628.1)*	(623.3)
	Equity adjustment from foreign currency translation (Including equity adjustment from foreign currency translation of unconsolidated Finance Subsidiaries: January 31, 1984–$4.3 million) *(Note 2(a))*	**(68.3)**		
		285.4	*400.6*	143.4
		$1,581.0	*$1,800.2*	$1,842.7

(See accompanying Notes to Consolidated Financial Statements.)

Consolidated Statements of Changes in Financial Position

Massey-Ferguson Limited

(Millions of U.S. Dollars)

Three months ended January 31 1983	1982 (Unaudited)		Year ended January 31 1984	Years ended October 31 1982	1981
$(5.7)	*$(47.0)*	Cash provided by (used in) operations *(Note 17(c))*	**$44.8**	$21.4	$27.3
		OTHER SOURCES OF CASH:			
		Investment transactions: Disposal of investments in Associate Companies			24.2
4.9	*0.6*	Disposal of fixed assets	**2.6**	11.5	10.1
	39.9	Financing transactions: Refinancing: Issue of preferred shares (and warrants in 1981) *(Note 11)*		78.8	290.2
		Interest and principal waiver and conversion program –contributed surplus (excluding $191.4 and $69.0 not affecting cash in the year ended January 31, 1984 and in 1981 respectively) *(Notes 3(a) and (b))*			51.5
1.3	*7.5*	–common shares issued (excluding $55.8 in the year ended January 31, 1984 not affecting cash) *(Note 11)*	**22.5**	18.5	31.9
		–other paid-in capital	**21.2**		
(0.1)	*(0.1)*	Costs of restructure	**(7.8)**	(0.4)	(12.6)
1.2	*47.3*	Total refinancing	**35.9**	96.9	361.0
32.3	*18.4*	Increases in long-term debt	**43.6**	52.2	10.6
	17.9	Increase in bank borrowings and current portion of long-term debt (excluding $40.6 reclassified at March 7, 1983 to current portion of long-term debt. *See Note 3(b)(ii)(5))*	**32.3**		
		Increase in due to unconsolidated subsidiaries	**20.8**		
38.4	*84.2*	**Total other sources of cash**	**135.2**	160.6	405.9
		OTHER USES OF CASH:			
5.3	*7.5*	Investment transactions: Additions to fixed assets	**36.3**	47.4	43.6
0.3	*0.3*	Investment in unconsolidated subsidiaries and Associate Companies	**3.0**	0.7	7.2
6.7	*0.1*	Increase in other assets and deferred charges	**18.7**	13.4	5.7
2.2	*1.9*	Other	**2.6**	3.6	2.8
5.8	*17.9*	Financing transactions: Reductions in long-term debt (including $37.5 repaid on March 7, 1983 as part of the refinancing agreements. *See Note 3(b)(ii)(1))*	**155.4**	39.4	92.0
23.6		Reduction in bank borrowings and current portion of long-term debt (excluding $42.9 at January 31, 1983 pertaining to previously consolidated subsidiary and $648.3 in 1981 converted to long-term debt)		12.2	261.4
	9.6	Cash dividends paid		22.4	11.5
43.9	*37.3*	**Total other uses of cash**	**216.0**	139.1	424.2
(11.2)	*(0.1)*	(Decrease) increase in cash and short-term investments during the period	**(36.0)**	42.9	9.0
108.1	*65.2*	**Cash and short-term investments at beginning of period**	**96.9**	65.2	56.2
$96.9	*$65.1*	**Cash and short-term investments at end of period**	**$60.9**	$108.1	$65.2

(See accompanying Notes to Consolidated Financial Statements.)

nsolidated Statements of Changes in Shareholders' Equity

Massey-Ferguson Limited

(Millions of U.S. Dollars)

	Preferred Shares Number	Preferred Shares Amount	Common Shares Number	Common Shares Amount	Other Paid-In Capital	Contributed Surplus	(Deficit) Retained Earnings	Foreign Currency Translation Adjustment	Total Shareholders' Equity
Balance, October 31, 1980	3,824,800	$ 95.8	18,250,350	$ 176.9		$ 1.3	$ 79.1		$ 353.1
Reduction of common share stated capital by transfer to contributed surplus *(Note 11)*				(100.0)		100.0			
Common stock dividend on Series A and B preferred shares *(Note 12)*			9,144,412	27.5		(27.7)			(0.2)
Issue of preferred shares *(Note 11)*									
Series C	3,600,000	74.7							74.7
Series D	8,000,000	166.0							166.0
Series E	2,088,000	43.3							43.3
Issue of common share warrants with Series D preferred shares *(Note 11)*						6.2			6.2
Interest waiver and conversion program *(Notes 3(a) and 11)*			15,630,594	31.9		120.5			152.4
Costs of restructure						(12.6)			(12.6)
Dividends on preferred shares *(Note 12)*						(17.9)			(17.9)
Purchase of Series A and B preferred shares *(Note 11)*	(50,100)	(1.3)				0.8			(0.5)
Net loss, 1981							(194.8)		(194.8)
Balance, October 31, 1981	17,462,700	378.5	43,025,356	136.3		170.6	(115.7)		569.7
Reduction of common share stated capital by transfer to contributed surplus *(Note 11)*				(140.0)		140.0			
Issue of preferred shares *(Note 11)*									
Series C	2,400,000	49.9							49.9
Series E	1,392,000	28.9							28.9
Interest waiver and conversion program *(Notes 3(a) and 11)*			13,525,681	21.0		(2.5)			18.5
Costs of restructure						(0.4)			(0.4)
Dividends on preferred shares *(Note 12)*						(16.0)			(16.0)
Purchases of Series A and B preferred shares *(Note 11)*	(118,700)	(2.9)				2.1			(0.8)
Net loss, 1982							(413.2)		(413.2)
Balance, October 31, 1982	21,136,000	454.4	56,551,037	17.3		293.8	(528.9)		236.6
Interest waiver and conversion program *(Notes 3(a) and 11)*			837,712	1.3					1.3
Costs of restructure						(0.1)			(0.1)
Net loss, three months ended January 31, 1983							(94.4)		(94.4)
Balance, January 31, 1983	21,136,000	454.4	57,388,749	18.6		293.7	(623.3)		143.4
Equity adjustment from foreign currency translation at February 1, 1983 *(Note 2(a))*								$(64.1)	(64.1)
Exercise of warrants *(Note 11)*			186,700	0.7					0.7
Interest waiver and conversion program *(Notes 3(a), 3(b) and 11)*			7,577,309	22.5	$21.2	99.1			142.8
Principal forgiveness and conversion *(Notes 3(b) and 11)*			26,520,772	55.8		92.3			148.1
Costs of restructure						(13.3)			(13.3)
Equity adjustment from foreign currency translation, year ended January 31, 1984 *(Note 2(a))*								(4.2)	(4.2)
Net loss, 1983							(68.0)		(68.0)
Balance, January 31, 1984	21,136,000	$ 454.4	91,673,530	$ 97.6	$21.2	$471.8	$(691.3)	$(68.3)	$ 285.4

(See accompanying Notes to Consolidated Financial Statements.)

Massey-Ferguson Limited
(In U.S. Dollars)

1. Summary of Significant Accounting Policies

The consolidated financial statements have been prepared by management following accounting policies generally accepted in Canada. Except as indicated in Note 17(a), they are also in conformity, in all material respects, with accounting policies generally accepted in the United States. The consolidated financial statements are presented in U.S. dollars. This currency best reflects the economic environment in which the Company operates and provides for a more meaningful measurement of operating results in consideration of the international scope of its operations. Such presentation also affords a better basis of comparison with major companies in the industry, the larger of which are U.S. based and report their results in U.S. dollars. The Company publishes its financial statements for all Shareholders in U.S. dollars and there are no material exchange restrictions or controls in Canada relating to the U.S. dollar.

(a) Basis of Consolidation
The accompanying consolidated financial statements include the accounts of all subsidiary companies except the wholly owned Brazilian subsidiary and the wholly owned finance subsidiaries. The Brazilian subsidiary was deconsolidated as at January 31, 1983 as explained in Note 4. The investment in shares of the finance subsidiaries is presented in the Consolidated Balance Sheets at the equity in their net assets and their earnings have been included in the Consolidated Statements of Income. The combined statements of these subsidiaries are set out separately on pages 31 to 34. The Company considers that this basis of presentation for the finance companies is more informative than full consolidation since, among other reasons, it affords a basis of comparison with other major companies in the industry, the larger of which are U.S.-based and do not consolidate their finance subsidiaries.

(b) Foreign Currency Translation
Effective February 1, 1983, the Company adopted, on a prospective basis, the new foreign currency translation rules of the Canadian Institute of Chartered Accountants.

Prior to February 1, 1983 the statements of companies whose accounts were maintained in other currencies were translated into U.S. dollars substantially as follows: inventories carried at cost, non-current assets, certain prepaid expenses and deferred income taxes, and related charges or expenses, at historical rates of exchange; all other assets and liabilities, at exchange rates prevailing at the end of the period; income and expenses (other than those indicated above), at average rates for the period. Translation gains or losses were included in income.

(c) Sales and Receivables
Sales are recorded at the time of shipment to distributors, dealers and other customers. Receivables include non-interest bearing amounts due from dealers, some of which mature beyond one year (subject to earlier settlement when the product is sold by the dealer). These are included in current assets in accordance with accounting practice in the industry.

(d) Inventories
Inventories are valued at the lower of cost (primarily first-in, first-out) and net realizable value. Cost includes the cost of material plus direct labour applied to the product and the applicable share of manufacturing overhead expense.

(e) Fixed Assets
Additions to fixed assets are recorded at cost. Depreciation of facilities is provided on a straight-line basis in substantially all of the companies at rates which are designed to write off the assets over their estimated useful lives as follows:

Buildings	10 to 50 years
Machinery and equipment	3 to 10 years

Production tooling for new products and for major product changes is generally amortized over a three-year period commencing with the first year of full utilization of the tooling concerned; tooling for replacements and minor product changes is charged against income at the time of purchase. Expenditures for maintenance, repairs and minor renewals are charged to expense as incurred (year ended January 31, 1984 and three months ended January 31, 1983–\$22.8 million and \$6.3 million, respectively; 1982–\$33.1 million and 1981–\$44.6 million).

When fixed assets are disposed of, their cost and related depreciation are removed from the accounts and any related gain or loss is included in income.

(f) Research and Development Costs
Research and development costs, most of which are included in Engineering and Product Development expenses, are expensed as incurred (year ended January 31, 1984 and three months ended January 31, 1983–\$27.4 million and \$6.3 million, respectively; 1982–\$33.8 million and 1981–\$39.5 million). There are no significant amounts of development costs that qualify for deferral under accounting principles generally accepted in Canada.

(g) Pensions
The majority of employees are covered by government and Company pension plans. All Company plans are defined benefit plans. Pension expense includes amounts for current service costs and amortization of past service costs, changes in actuarial liability due to changes in plans and in actuarial assumptions and experience gains and losses, over approximately 15 to 25 years, except as indicated in Note 2(b). See also Note 10(d).

(h) Income Taxes
The Company follows the deferral method of tax allocation in accounting for income taxes.

Under this method, timing differences between reported and taxable income (which can occur when revenues and expenses recognized in the accounts in one year are taxed or claimed for tax purposes in another year) can result in deferred or prepaid taxes.

Investment tax credits are accounted for using the flow-through method.

The benefits of loss carry-forwards are generally not recognized until realized. The multinational nature of operations is such that, on a continuing basis, certain subsidiaries are incurring losses (without recognition of the potential carry-forward tax benefits) at the same time that other subsidiaries are realizing the tax benefit of previous losses. On a consolidated basis these annually recurring tax recoveries, to the extent that they do not exceed the unrecognized tax benefit of losses incurred in the same period, are not considered to be extraordinary in nature and are accordingly reflected as a reduction of current income tax charges when realized.

The Company provides for taxes on dividends anticipated in the future from accumulated earnings of subsidiary companies.

2. Accounting Changes

(a) Foreign Currency Translation
As indicated in Note 1(b), effective February 1, 1983, the Company changed its method of accounting for foreign currency transactions and translations. As a result of adopting these rules, shareholders' equity at February 1, 1983 was reduced by \$64.1 million due to translating certain assets and liabilities of certain companies at current exchange rates. This accumulated equity adjustment from foreign currency translation at January 31, 1984, was \$68.3 million. If the Company had continued to account for foreign currency translation under the previous method of accounting, the net loss would have been lower by \$0.8 million for the year ended January 31, 1984 (\$.01 per common share).

(b) Accounting for Pension Costs
Effective February 1, 1983 the Company's subsidiaries in the United Kingdom changed their method of accounting for pension costs from the aggregate funding method to the unit credit method. The latter method is followed by all other Company pension plans. This change in method has resulted in reducing pension costs by \$18.7 million for the year ended January 31, 1984 (\$0.21 per common share), compared to costs that would have been incurred under the previous method of accounting. The reduction in pension costs is primarily due to the actuarial surplus in the pension plan which is being amortized over three years. As discussed in Note 17(a), under generally accepted accounting principles in the United States, the actuarial surplus would be amortized over ten years.

3. Refinancing

(a) July 16, 1981
(i) On July 16, 1981 the Company agreed to a refinancing

program with its lenders under which the lenders agreed, among other things, to waive all earlier defaults and to leave substantially all of the Company's credit facilities in place for three years from that date. As a result, $648.3 million of otherwise short-term debt was converted to long-term.

(ii) Many of the Company's lenders also agreed to participate in an interest waiver and conversion program under which they contributed approximately $230.0 million to the Company's equity by agreeing to acquire 35,552,816 common shares, or rights to receive common shares (of which rights to receive 4,345,999 shares were subsequently surrendered upon the inception of the March 7, 1983 refinancing program described in (b) below) and by reducing interest on debts owing to them. The share purchase portion of this program was recorded as the shares were issued; the interest reduction portion, which has also been treated as a capital transaction, was recorded as a contribution to surplus on July 16, 1981. The part of this contribution relating to interest accrued to July 16, 1981 ($51.5 million) was charged to interest payable, and the fair value on that date of the part relating to interest that would otherwise have accrued subsequently ($69.0 million) was deducted as a discount from the applicable debt. The debt discount was amortized to interest expense over the life of the program, which was substantially completed by January 31, 1983. (See Note 17(a).)

(iii) The agreements provided for covenants by Massey-Ferguson Limited and its major subsidiaries (including the Finance Subsidiaries) both on a consolidated basis and by individual subsidiary. At October 31, 1981 the Company was in compliance with all of these covenants except for certain undertakings with respect to the collection of inter-company accounts and the failure of a finance subsidiary to repay a $2.5 million Senior Note maturity when due. During 1982 the Company and certain of its subsidiaries failed to comply with other covenants, including those requiring minimum levels of net worth and ratios of debt to equity. Effective June 1, 1982 the Company stopped paying interest on the majority of its long-term debt. These conditions of non-compliance continued through March 7, 1983.

(b) March 7, 1983
(i) On March 7, 1983 the Company agreed to a refinancing program with its lenders, the principal elements of which were:

1) The repayment of part of the principal amount of certain loans in cash.

2) Settlement of part of the principal amount of certain loans, and of part of the interest accrued and unpaid at March 7, 1983, and to accrue subsequently, by the issuance of:
- common shares of Massey-Ferguson Limited and in some cases,
- preference shares of certain debtor subsidiaries, and a right to exchange such shares for an equal number of common shares of Massey-Ferguson Limited.

3) Contribution by way of forgiveness of a further part of the principal amount of certain loans and by way of waiver of the balance of interest accrued and unpaid at March 7, 1983, and of interest up to a defined amount that would otherwise accrue subsequently.

4) Renegotiation of debt covenants and waiver of all earlier defaults.

5) The provision of additional credit facilities by certain lenders and a rescheduling of the maturity dates of substantially all debt.

6) The pledging of substantially all of the Company's assets as collateral for debt.

In addition, the holders of the Company's Series C and E preferred shares agreed to waive their dividend entitlements up to 15% of the stated value of such shares aggregating Cdn. $36 million. The holders of the Series D preferred shares agreed to accept common shares of Massey-Ferguson Limited in lieu of cash dividends up to 30% of the stated value of these shares, aggregating Cdn. $60 million.

(ii) The accompanying Pro Forma Consolidated Balance Sheet gives effect as of January 31, 1983, to the following transactions which took place on March 7, 1983, as a result of the new refinancing agreements:

1) Repayment of $37.5 million principal amount of certain loans in cash.

2) Settlement of $55.8 million principal amount of certain loans and $22.1 million of accrued and unpaid interest at March 7, 1983, by the issuance or prospective issuance of:
- 30,663,745 common shares of Massey-Ferguson Limited (stated value, $69.2 million).
- preference shares (including shares whose issue is deferred) of certain subsidiaries (minority interest, nominal amount).
- rights to exchange such preference shares for 4,875,138 common shares of Massey-Ferguson Limited (other paid-in capital, $8.7 million).

3) Contribution to surplus of $124.3 million by way of forgiveness of $104.0 million principal amount of certain loans (less $11.7 million of previously unamortized discount on debt relating to such principal amount), and by way of waiver of $32.0 million of interest accrued and unpaid at March 7, 1983.

4) Contribution to surplus of $67.1 million, being the fair value of interest that would have accrued after March 7, 1983 and that has been waived. Such contribution has been deducted as a discount from the applicable debt.

5) Conversion of $40.6 million of long-term debt to short-term debt.

6) Provision of $7.3 million for estimated costs of restructure by charge to contributed surplus.

7) Provision of interest on debt for the period February 1 to March 7, 1983 (deficit, $4.8 million).

Certain of the effects of the March 7, 1983 refinancing, which are accounted for in the Pro Forma Consolidated Balance Sheet as at January 31, 1983, and in the financial statements for the year ended January 31, 1984, in a manner consistent with that followed for the earlier financing, would be accorded different treatment under accounting principles generally accepted in the United States. These differences are set out in Note 17(a).

The above transactions occuring at March 7, 1983 and additional share issues and certain other changes occuring between March 7, 1983 and January 31, 1984 are reflected in the January 31, 1984 Consolidated Balance Sheet, in the Consolidated Statement of Changes in Shareholders' Equity for the year ended January 31, 1984 and in the details of long-term debt at January 31, 1984.

(c) Covenants and Undertakings
The new refinancing program comprises numerous agreements entered into by Massey-Ferguson Limited and its major subsidiaries (including the Finance Subsidiaries) with substantially all of the Company's lenders. Most of these agreements provide for covenants by Massey-Ferguson Limited on a consolidated basis as well as by the subsidiary. The agreements also contain provisions so that a default in any one agreement may result in an acceleration of debts under that agreement and through various cross-default provisions may cause acceleration of substantially all indebtedness (including that of the Finance Subsidiaries), cessation of the interest waiver and conversion program and reinstatement of certain debt obligations described earlier. See also Note 10(a).

At March 7, 1983, the Company was in compliance with all of the revised covenants and undertakings and believed that it would remain in compliance with such covenants and undertakings throughout the fiscal year ending January 31, 1984.

At March 31, 1983, the Company was not in compliance with a covenant, namely the net worth (as defined in the agreement) in Massey-Ferguson Credit Corporation (its U.S. Finance Subsidiary) which had fallen below the level agreed to. Subsequent to March 31, 1983, the Company has remedied this non-compliance within the period allowed under the agreements.

In view of the likelihood of continuation of depressed market conditions which have continued to reduce below 1982 levels, and the adverse impact of this on Company results and given the numerous complexities of the refinancing agreements, management believes that certain events of non-compliance are likely to occur in the period to January 31, 1985. If any such events occur, management believes these situations can be resolved through appropriate actions including discussions with lenders. Failure to resolve such events of non-compliance if they occur could result in the Company being declared in default of its covenants and/or the possible eventual acceleration of its debt. Such an acceleration could affect the Company's ability to continue realizing its assets and discharging its liabilities in the usual course of business.

4. Investment in Brazilian Subsidiary

The Company is well advanced in negotiations with certain governmental agencies and a third party investor group in Brazil which

will result in Massey-Ferguson Limited reducing to a minority interest its holdings in the Brazilian subsidiary. As a consequence of this plan, the Brazilian subsidiary's assets and liabilities were deconsolidated effective January 31, 1983. The results of operations of the Brazilian subsidiary were included in consolidated operations in all periods up to January 31, 1983 and are excluded for the year ended January 31, 1984. The carrying value of the investment of $14.0 million as at January 31, 1984 ($11.4 million as at January 31, 1983) approximates the estimated value of the Company's prospective minority interest. The Company accounts for the investment in Brazil on a cost basis.

5. Receivables

(a) Receivables are presented net of the following provisions:

	(Millions of U.S. Dollars) January 31 **1984**	January 31 *1983*
Allowance for doubtful notes and accounts	**$22.6**	*$17.9*
Discounts, volume and performance bonuses, returns and other allowances	**50.4**	*49.0*
Unearned interest	**1.1**	*1.8*
	$74.1	*$68.7*

(b) Non-interest bearing wholesale receivables from dealers maturing beyond one year of $27.1 million at January 31, 1984 ($19.5 million at January 31, 1983) are included in accounts receivable.

6. Short-Term Financing

The Company had the following lines of credit:

	(Millions of U.S. Dollars) January 31 **1984**	January 31 *1983*
(a) Total short-term lines of credit	**$201.9**	*$231.2*
(b) Discounting facilities (included in (a))	**$153.5**	*$161.3*
(c) Unused lines of credit:		
–discounting (included in (b))	**$ 82.3**	*$ 83.3*
–other	**24.6**	*34.1*
Total unused	**$106.9**	*$117.4*

Of the total short-term lines of credit, $100.1 million is available without reduction until June, 1986. A further $76.0 million is subject to a 25 percent annual reduction commencing June, 1984. Discounting facilities are classified as short term since the receivables discounted have terms of less than one year and there is no assurance that they will be replaced at maturity.

Of the utilized discounting facilities, $32.3 million ($46.1 million as at January 31, 1983) relate to sales of third party receivables and accordingly this amount is not included in bank borrowings.

7. Accrued Charges

Accrued charges consist of:

	(Millions of U.S. Dollars) January 31 **1984**	January 31 *1983*
Employee costs	**$ 36.2**	*$ 66.7*
Unusual costs and reorganization expense	**26.6**	*39.5*
Warranty	**20.1**	*22.3*
Dealer commissions	**13.2**	*14.3*
Interest	**5.2**	*40.7*
Other	**82.3**	*86.7*
	$183.6	*$270.2*

8. Income Taxes

Deferred income taxes are presented on the Consolidated Balance Sheets as follows. Net current deferred tax debits of $16.6 million at January 31, 1984 ($20.5 million at January 31, 1983), resulting from current timing differences between taxable and reported income, are grouped with prepaid expenses and other current assets. Non-current deferred income taxes resulting primarily from capital cost allowances claimed for tax purposes in excess of depreciation and amortization recorded in the accounts, are shown separately.

The relationship between tax recovery and pre-tax accounting loss is affected by the variety of tax rates in the many countries in which the Company operates as well as by investment, loss carry-forward and other tax credits. In addition, the relationship is significantly affected by the fact that the unrealized tax benefits of operating losses have not been recognized. Income tax recoveries for the year ended January 31, 1984, the three months ended January 31, 1983 and for the year ended October 31, 1982 were not significantly affected by tax credits arising from prior years' losses and other tax adjustments relating to prior years. Tax recoveries were increased as a result of such credits and adjustments by $4.2 million ($0.17 per common share) in 1981.

At January 31, 1984, certain companies had tax losses aggregating $968.5 million available to be carried forward for which potential recoveries have not been recognized in the accounts. These loss carryforwards expire as follows: 1984–$36.9 million; 1985–$88.7 million; 1986–$105.7 million; 1987–$38.7 million; 1988 and beyond–$698.5 million. At current tax rates, the tax recoveries, if realized, would amount to approximately $455.9 million. Due to the continuing losses, the deferred tax debits relating to timing differences of $80.3 million at January 31, 1984 have not been recorded. As a result of the March 7, 1983 refinancing, the tax loss carry forwards available may be reduced.

The components of pre-tax loss and income tax recovery (expense) and the analysis of timing differences are as follows:

Three months ended January 31 1983		*(Millions of U.S. Dollars)* Year ended January 31 **1984**	Year ended October 31 1982	Year ended October 31 1981
	Pre-tax loss:			
$24.4	Domestic	**$ 1.1**	$ 88.3	$ 42.1
73.6	Foreign	**73.7**	336.6	177.0
$98.0	Total	**$74.8**	$424.9	$219.1
	Income tax recovery (expense):			
	Foreign Taxes:			
$ 5.4	Current	**$ 3.7**	$ 2.0	$ 8.6
(3.2)	Deferred	**(2.5)**	1.3	0.2
$ 2.2		**$ 1.2**	$ 3.3	$ 8.8
	Timing differences:			
$ (0.1)	Exchange adjustments		$ (0.1)	$ (1.1)
	(Deficiency) excess of book over tax depreciation			(0.7)
(3.1)	Other	**$ (2.5)**	1.4	2.0
$ (3.2)		**$ (2.5)**	$ 1.3	$ 0.2

Income tax recoveries differ from the amount computed by applying the Canadian tax rate on manufacturing and processing losses to pre-tax losses. The difference between the Canadian statutory tax rate of 44.4 percent on manufacturing and processing losses and the effective tax recovery rate is primarily due to tax benefits not having been recorded on losses.

No provision has been made for taxes on undistributed earnings of foreign subsidiaries of approximately $11.6 million at January 31, 1984 ($23.7 million at January 31, 1983) as such earnings are considered reinvested on a long-term basis.

Unused investment tax credits amounted to $10.8 million at January 31, 1984.

9. Long-Term Debt

Repayable in currency of country indicated unless otherwise shown; maturity dates are for fiscal years ending January 31 (i.e., fiscal 1984 represents the period February 1, 1984, to January 31, 1985).

	(Millions of U.S. Dollars) January 31 **1984**	January 31 *1983*
(i) Bonds, debentures, notes and loans:		
Massey-Ferguson Limited (Canada):		
Promissory Note maturing 1988 repayable in U.S. dollars bearing interest at prime rate for U.S. dollar loans in Canada (a)	**$ 13.2**	*$ 13.2*

Massey-Ferguson Industries Limited (Canada):		
Revolving term credit maturing 1986-88, of which $32.4 million (January 31, 1983–$34.6 million) is repayable in U.S. dollars bearing interest at the Canadian and U.S. prime rates on the respective Canadian and U.S. dollar outstanding amounts (1% above prime on amounts over Cdn. $133.0 million) ((a) and (c))	**152.0**	*143.1*
Promissory Note maturing 1986-88 repayable in U.S. dollars bearing interest at prime rate for U.S. dollar loans in Canada (a)	**14.1**	*14.1*
Massey-Ferguson S.A. (France):		
Bank loans maturing 1986-88 bearing interest at 2.2% above French base rate ((a) and (b))	**33.1**	*40.8*
French State loan maturing 1987-98 bearing interest at 6% until 1987 and 8% thereafter plus additional fluctuating interest rate based on cash flow	**10.4**	
Massey-Ferguson GmbH (Germany):		
Bank loans maturing 1984-87 bearing interest at German prime rate ((a) and (b))	**43.6**	*52.4*
Massey-Ferguson S.p.A. (Italy):		
Bank loan maturing 1988 repayable in U.S. dollars bearing interest at 1.3% above Eurodollar interbank rate (a)	**10.0**	*10.0*
Massey-Ferguson Holdings Limited (United Kingdom):		
7½% Debenture Stock maturing 1992 (a)	**11.2**	*12.1*
Bank loans maturing 1991 repayable in U.S. dollars bearing interest at 1½% above Eurodollar interbank rate (i)	**23.0**	
Massey-Ferguson Perkins Limited (United Kingdom):		
Bank loans maturing 1986-88 bearing interest at 1% above the banks' base rates ((a) and (j))		*27.3*
Bank loans maturing 1986-88 bearing interest at ¾% above various London interbank market rates ((a) and (j))		*53.6*
Massey-Ferguson Manufacturing Limited (United Kingdom):		
Bank loans maturing 1986-88 bearing interest at 1% above the banks' base rates (a)	**7.1**	
Bank loans maturing 1986-88 bearing interest at ¾% above various London interbank market rates (a)	**21.2**	
Perkins Engines Group Limited (United Kingdom):		
Bank loans maturing 1986-88 bearing interest at ¾% above various London interbank market rates (a)	**28.0**	
Massey-Ferguson Inc. (U.S.A.):		
8.55% Promissory Notes maturing 1984-87 (a)	**17.2**	*21.6*
5⅞% Subordinated Notes (a)		*10.4*
Revolving Term credit maturing 1984-87 bearing interest at U.S. prime rate plus commitment, availability and usage fees ((a) and (d))	**151.1**	*190.2*
Massey-Ferguson (Delaware) Inc. (U.S.A.):		
9% Senior Notes maturing 1984-89 (a)	**127.2**	*150.0*
General Purpose Loans:		
9½% Bonds maturing 1984-91 repayable in U.S. dollars (e)	**48.0**	*52.5*
Bank loans repayable in U.S. dollars bearing interest at 1½% above Eurodollar interbank rate ((a) and (i))		*35.0*
Bank loans maturing 1984-85 repayable in various Eurocurrencies bearing interest at 1¼% above applicable Eurocurrency rate (a)	**15.8**	*26.0*
Other ((a) and (f))	**61.7**	*59.0*
	787.9	*911.3*
(ii) Convertible Subordinated Notes; Massey-Ferguson (Delaware) Inc. (U.S.A.):		
10% Convertible Subordinated Notes (a)		*147.0*
	787.9	*1,058.3*
Less: Discount on Debt (a)	**(38.8)**	*(14.0)*
	749.1	*1,044.3*
Current portion of long-term debt (h)	**(95.7)**	*(19.0)*
	$653.4	*$1,025.3*

(a) These loans participated in the March 7, 1983 refinancing program and also participated in the July 1981 program (see Note 3). Under the March 7, 1983 refinancing program substantially all of the assets of the subsidiaries are pledged as collateral for these loans.

(b) Under the March 7, 1983 refinancing agreements, these lenders are entitled to receive common shares in Massey-Ferguson Limited or obligations of the debtor subsidiary convertible into common shares of Massey-Ferguson Limited, under certain conditions. See Note 10(a)(iv).

(c) Prior to May, 1983, Massey-Ferguson Industries Limited and Massey-Ferguson Finance Company of Canada Limited had a joint bank revolving term credit facility of Cdn. $255.2 million. In May, 1983, Massey-Ferguson Finance Company of Canada Limited repaid the amounts borrowed under this facility and the entire line of credit is now available only to Massey-Ferguson Industries Limited. Under the March 7, 1983 refinancing program, borrowings in excess of Cdn. $133.0 million in Massey-Ferguson Industries Limited do not participate in the interest waiver and conversion program.

(d) The revolving term credit lines in Massey-Ferguson Inc. require compensating balances to be maintained, averaging a fixed percentage of the line and its usage, or the payment of a fee in lieu thereof as agreed with individual banks. The average amount of monthly balance required for the year ended January 31, 1984 was $28.5 million ($32.9 million for the month of January, 1983 and calendar year 1982). The amounts on deposit (on which there were no compensating balance restrictions) were:

	Year ended January 31 **1984**	*Three months ended January 31 1983*	Year ended October 31 1982
Average amount on deposit	**$14.4**	$42.4	$31.6
Amount on deposit at period end	**$ 5.8**	$28.1	$73.3

(e) The Company is obligated to purchase for cancellation up to $4.5 million of these bonds each year to 1986 if the market price falls below par value during the period March 1 to May 31.

(f) Other long-term debt includes amounts each of which is less than $10.0 million.

(g) Unused lines of credit at January 31, 1984 were $74.5 million ($27.8 million at January 31, 1983). A commitment fee of ½% is payable on any unused facilities in the United States.

(h) Sinking fund requirements and debt maturities during the next five years are as follows: 1984 (*i.e.,* for the period ending January 31, 1985)–$95.7 million; 1985–$95.2 million; 1986–$95.8 million; 1987–$129.6 million; 1988–$276.6 million.

(i) These loans were transferred from General Purpose Loans to Massey-Ferguson Holdings Limited as part of the 1983 refinancing agreements.

(j) These loans have been transferred to Massey-Ferguson Manufacturing Limited, Perkins Engines Group Limited and Massey-Ferguson Holdings Limited in connection with the reorganization of the United Kingdom subsidiaries.

10. Contingent Liabilities and Commitments

(a) The Company has the following contingencies and commitments under the March 7, 1983 refinancing program:

(i) Under the refinancing agreements the Company and almost all the subsidiaries have each agreed to maintain assets and net worth at specified relationships to their respective indebtedness and to maintain certain minimum levels of working capital and net worth. The required proportion of assets and net worth to indebtedness and the amounts of net worth and minimum working capital increase periodically. The agreements also contain numerous clauses pertaining to operational matters such as borrowing levels, intercompany trade terms, intercompany loans, etc. The agreements generally provide that dividends up to 75% of the net profits accruing after August 1, 1981 may be distributed by the subsidiaries subject to the maintenance of the specified relationships, and in some cases after obtaining prior written approval of the lenders to that subsidiary. See also Note 3(b) and (c).

(ii) The preference shares issued under the program by certain subsidiaries (see Note 3(b)), are not entitled to vote or receive dividends, have a nominal par or stated value and issue price, and, except as indicated below, are not entitled on redemption, retraction on September 30, 1991, or liquidation, to receive more than such nominal value and issue price. In the event of redemption, retraction or liquidation while any of the Series C and E preferred shares of Massey-Ferguson Limited are still outstanding, the holders of the subsidiary company preference shares issued to January 31, 1984, will be entitled to receive $16.0 million.

(iii) Two of the lenders are entitled to be reinstated as creditors of the related subsidiary for all the interest accrued and unpaid at March 7, 1983, and settled through issue of preferred shares and rights to acquire common shares and waiver, in the event of the involuntary liquidation of the Company or the subsidiary before the completion of the interest waiver and conversion portion of the March 7, 1983 refinancing program. The Company's contingent liability in respect of these entitlements is $15.1 million.

(iv) The March 7, 1983 refinancing program contemplates the issuance of up to 65,523,855 common shares of Massey-Ferguson Limited, either directly, or indirectly through the exercise of rights and contingent rights to receive such shares by way of exchange or otherwise. Of these shares, 33,980,509 have been issued up to and including January 31, 1984. The Company has agreed to qualify these additional shares for public trading.

Certain of the lenders who have contributed by waiver of interest accrued and unpaid at March 7, 1983 and interest to accrue subsequently are entitled to receive common shares of Massey-Ferguson Limited or debentures convertible to common shares in Massey-Ferguson Limited if certain conditions relating to profitability of the Company and one of the debtor subsidiaries are achieved. The maximum number of common shares that may be issued by reason of these entitlements is 5,260,317, (none of which has been issued to date), which is included in the 65,523,855 common shares referred to above.

(v) Massey-Ferguson Limited has also guaranteed a major portion of the money borrowed by its consolidated subsidiaries and the unconsolidated Finance Subsidiaries. Substantially all of the consolidated net assets of the subsidiaries are restricted against transfer to Massey-Ferguson Limited, under the covenants contained in the refinancing agreements.

(b) Contingent liabilities relating to notes receivable discounted and bills guaranteed, etc., were $33.2 million at January 31, 1984 and $47.8 million at January 31, 1983.

(c) Approved capital expenditure programs outstanding at January 31, 1984 were $55.2 million (January 31, 1983, $30.4 million) including capital commitments of approximately $19.3 million ($14.0 million at January 31, 1983).

(d) Pension expense, including amortization of past service costs, and expenses of Government plans, was $26.5 million for the year ended January 31, 1984 ($10.6 million for the three months ended January 31, 1983; $55.2 million and $67.2 million for the years ended October 31, 1982 and 1981 respectively). As discussed in Note 2(b), the Company changed the method of accounting for pension costs in the U.K. subsidiaries, resulting in reduced pension costs for the year ended January 31, 1984 by $18.7 million ($0.21 per common share) compared to the previous method. In accordance with recommendations received from independent actuaries in 1982 and 1981 certain assumptions affecting the actuarially computed value of pension benefits accruing to certain employees were revised with the effect of reducing pension expense by approximately $1.6 million ($0.02 per common share) in the year ended October 31, 1982 and $4.3 million ($0.17 per common share) in 1981. According to the latest valuations as of October 31, 1982, the actuarially computed value of past service obligations exceeded the market value of pension fund assets and balance sheet accruals by approximately $23.8 million ($33.0 million at January 31, 1983) of which $15.1 million ($23.4 million at January 31, 1983) was vested.

11. Share Capital

(a) The authorized share capital of the Company consists of common shares, preferred shares and junior preferred shares, each class without limit as to number. At the Shareholders' Meetings on April 28, 1981 and January 29, 1982, the Shareholders approved transfers of $100.0 million and $140.0 million respectively, from the common share capital account to the contributed surplus account.

Shares issued and outstanding are summarized below:

	(Millions of U.S. Dollars)			
	January 31 **1984**		January 31 1983	
	Number	Amount	Number	Amount
Preferred Shares				
$2.50 (Cdn.) Cumulative Redeemable Preferred Shares				
Series A	**1,458,500**	**$ 35.7**	1,458,500	$ 35.7
Series B	**2,197,500**	**55.9**	2,197,500	55.9
$25.00 (Cdn.) Stated Value Cumulative Redeemable Retractable Convertible Preferred Shares Series C (Authorized-6,000,000)	**6,000,000**	**124.6**	6,000,000	124.6
Series E (Authorized-3,480,000)	**3,480,000**	**72.2**	3,480,000	72.2
$25.00 (Cdn.) Stated Value Cumulative Redeemable Retractable Preferred Shares Series D (Authorized-8,000,000)	**8,000,000**	**166.0**	8,000,000	166.0
		$454.4		$454.4
Common Shares	**91,673,530**	**$ 97.6**	57,388,749	$ 18.6

All of the outstanding Series C, D and E shares were issued in 1982 and 1981 (as shown in the Consolidated Statements of Changes in Shareholders' Equity) for cash and previously outstanding debt as part of the July 1981 refinancing.

Dividends on the Series A and B shares are payable quarterly at the annual rate of $2.50 Cdn. per share. Dividends on the Series C, D and E are also payable quarterly, at the following rates:

Series C– ½% plus 52% of the Canadian bank prime rate
Series D–1⅜% plus 50% of the Canadian bank prime rate
Series E– ⅞% plus 52% of the Canadian bank prime rate

The Company suspended payment of dividends on preferred shares effective June 1, 1982. As indicated in Note 3 (b), under the refinancing program of March 7, 1983, the Series C and E Shareholders have agreed to waive dividends of 15% of the stated value of these shares (*i.e.,* up to Cdn. $3.75 per share). The Series D Shareholders have agreed to accept common shares of the Company in lieu of cash dividends, up to 30% of the stated value of the Series D shares (*i.e.,* up to Cdn. $7.50 per share). The aggregate cumulative dividends in arrears at January 31, 1984 after giving effect to waivers under the March 7, 1983 agreements were $33.6 million comprising:

Series A shares–$ 5.1
Series B shares–$ 7.7
Series D shares–$20.8 (to be settled in common shares of the Company as and when declared by the Board of Directors)

The Series A (issued 1975) and the Series B (issued 1976) preferred shares may be redeemed commencing five years after issue at the option of the Company, at a premium of $1.25 (Cdn.) per share, such premium reducing by $0.25 (Cdn.) per share annually for five years, and thereafter at $25.00 (Cdn.) per share. Except when preferred share dividends are in arrears, the Company is obligated to purchase in the open market up to 6,700 Series A and 10,000 Series B preferred shares per month if the price falls below $25.00 (Cdn.) per share, up to a maximum of 200,400 shares in any one year. The Company is precluded from making such purchases if dividends are in arrears. In 1982, the Company purchased 47,700 Series A and 71,000 Series B shares (20,100 Series A and 30,000 Series B in 1981) in the open market thereby reducing preferred share capital by $2.9 million, ($1.3 million in 1981) at a cost of $0.8 million ($0.5 million in 1981). The differences of $2.1 and $0.8 million in 1982 and 1981 respectively have been included in contributed surplus.

The Company may at any time redeem or purchase for cancellation all or any part of the Series D shares at a price not exceeding $25.00 (Cdn.) per share plus all accrued and unpaid dividends. Following the redemption or cancellation of all the Series D shares, the Company may, at any time, redeem or purchase for cancellation, all or any part of the Series C and E shares at a price not exceeding $25.00 (Cdn.) per share, plus accrued and unpaid dividends. The Series C and E Shareholders are also entitled to require an earlier redemption after the Series A

and B shares are redeemed if Series D Shareholders give consent and if certain levels of income are achieved. Series C, D and E shares are retractable at the option of the shareholders on May 31, 1991. After June 30, 1991 the Company is required to purchase 1% of the Series D shares each quarter at a price not exceeding $25.00 (Cdn.) per share.

The Series C and E shares are convertible to common shares at any time after April 30, 1982 and prior to the close of business on May 31, 1991 at a conversion price of $7.50 (Cdn.) and $5.50 (Cdn.) per common share, respectively.

During 1983, 1982 and 1981 the Company issued common shares for cash and principal conversion at varying prices under the refinancing programs as detailed in the Consolidated Statements of Changes in Shareholders' Equity. In 1981, the Company also issued 25 million common share warrants at $0.50 (Cdn.) each to Series D preferred shareholders net of related costs of $4.2 million. On February 3, 1984, the terms of the warrants were amended so that each initial warrant exercised on or prior to February 29, 1984 at the exercise price of Cdn. $5.00 (or the equivalent in U.S. funds) entitled the holder to receive one common share of Massey-Ferguson Limited and one Additional Warrant. Each Additional Warrant will be exercisable at Cdn. $3.00 per share (or the equivalent in U.S. funds) up to and including October 1, 1984 and thereafter at Cdn. $5.00 (or the equivalent in U.S. funds) up to and including May 31, 1991.

These terms reflect:

1. an extension of the previous period ending February 15, 1984, during which a holder had the right to receive an Additional Warrant upon exercise of an Initial Warrant, to February 29, 1984;
2. a reduction in the pre-October 2, 1984 exercise price of the Additional Warrant from Cdn. $4.00 to Cdn. $3.00; and
3. an extension of the previous period ending May 31, 1984 during which a holder of Additional Warrants has the right to a Cdn. $3.00 Additional Warrant exercise price to October 1, 1984. After this date, the Additional Warrant exercise price increases to Cdn. $5.00. See Note 11(b).

Proceeds of warrants exercised must be used to redeem Series D shares, however, as at January 31, 1984, the Company is prohibited from making such redemptions under applicable Canadian law.

Under an executive stock option plan approved by the common shareholders at the 1983 Annual Meeting, there are stock options outstanding as at January 31, 1984 for 1,807,230 common shares for key executives of the Company and subsidiaries (including Officers but excluding Directors of the Company and such subsidiaries who are not salaried employees),(options to purchase 1,762,230 common shares exercisable at Cdn. $4.05 and options to purchase 45,000 common shares exercisable at Cdn. $5.40 per share). Twenty-five per cent of each grantee's options become exercisable on each anniversary of the date of the grant. Thus, no stock options are currently exercisable. The potential (unrealized) value (market value less option price) as of January 31, 1984, for the grantees as a group, is approximately Cdn. $3.7 million.

(b) Subsequent Event

Effective February 6, 1984, the United States Securities and Exchange Commission declared effective the Company's registration statement covering the sale of 12,555,000 Initial Warrants (and underlying common shares and Additional Warrants) by selling security holders and the issuance and sale by the Company of up to 24,814,800 Additional Warrants and 49,813,300 common shares issuable on exercise of the warrants. The issuances and sale by the Company of the additional warrants and the common shares have been qualified under the securities laws of each of the provinces of Canada. For the period February 1, 1984 to February 29, 1984, 5,791,750 Initial Warrants and 123,400 Additional Warrants were exercised at a total value of Cdn. $29.3 million. As of February 29, 1984, the Company had 97,588,680 Common Shares outstanding.

12. Dividends

The Company is precluded from declaring any cash dividends on common shares as follows:

(i) Covenants included in the March 7, 1983 refinancing agreements stipulate that no dividends will be declared prior to February 1, 1985. Cash dividends after February 1, 1985 are restricted to 50% of net income earned after that date as reduced by cash dividends and redemption of any preferred shares and the Company is required to be in compliance with all its covenants and undertakings.

(ii) Terms of the Series A and B preferred shares prevent the payment of dividends on common shares until the aggregate of net income earned less dividends paid on preferred shares plus proceeds from common shares issued after January 31, 1984 exceeds approximately $665 million ($675 million at January 31, 1983).

(iii) An agreement with the Governments of Canada and Ontario, which could remain in effect until June 30, 1991 prevents the declaration of common share dividends without the written consent of these Governments.

During 1982 the Company declared dividends of $1.6 million, $1.1 million, $4.2 million, $6.6 million and $2.5 million on series A, B, C, D and E shares respectively. On June 30, 1981 the Company issued 9,144,412 common shares at $3.61 (Cdn.) each in settlement of dividend arrears to that date on series A and B preferred shares. 1981 dividends declared on preferred shares are as follows: Series A, $11.9 million (including stock dividends of $10.9 million); Series B, $19.1 million (including stock dividends of $16.8 million); Series C, $3.5 million; Series D, $8.9 million; Series E, $2.2 million.

The refinancing agreements restrict the ability of the subsidiaries to remit dividends to the Company. See Note 10(a)(i) and (v).

13. Business Segment Information

The Company operates in two industry segments: Farm and Industrial Machinery, involving the manufacture and sales of farm and industrial tractors, farm balers, harvesters, other agricultural implements and industrial loaders, and Engines, involving the production and sale of multi-cylinder, multi-purpose diesel engines. Intersegment and interregional sales are accounted for at prices which the Company believes approximate market.

Operations and identifiable assets by industry segment and geographic region are presented on the following page:

(Millions of U.S. dollars)

For the year ended January 31, 1984 and for the three months ended January 31, 1983 and for the years ended October 31, 1982 and 1981		Industry Segment: Farm and Industrial Machinery	Industry Segment: Engines	Industry Segment: Adjustments and Eliminations	Consolidated	Geographic Region: Canada	Geographic Region: U.S.	Geographic Region: Latin America	Geographic Region: Europe and Other	Geographic Region: Adjustments and Eliminations
Net sales to unaffiliated customers (includes intersegment sales for Industry Segment)	**1984**	**$1292**	**$348**	**$(105)**	**$1535**	**$176**	**$309**		**$1050**	
	1983*	255	82	(24)	313	13	30	$ 44	226	
	1982	1660	525	(127)	2058	147	362	262	1287	
	1981	2110	699	(163)	2646	202	589	344	1511	
Interregional sales:	**1984**					**106**	**54**		**113**	**(273)**
	1983*					6	8	1	12	(27)
	1982					125	75	5	94	(299)
	1981					200	110	1	159	(470)
Unaffiliated customer and interregional sales:	**1984**				**1535**	**282**	**363**		**1163**	**(273)**
	1983*				313	19	38	45	238	(27)
	1982				2058	272	437	267	1381	(299)
	1981				2646	402	699	345	1670	(470)
Profit (loss) before interest, exchange, general corporate expense allocation, unusual costs and reorganization expense, income taxes and equity in net income of Finance Subsidiaries.	**1984**	**27**	**25**	**(4)**	**48**	**7**	**(28)**		**73**	**(4)**
	1983*	(39)		(1)	(40)	(12)	(26)	5	(6)	(1)
	1982	(44)	44	(20)	(20)	(22)	(72)	42	52	(20)
	1981	31	45	(39)	37	27	(52)	57	44	(39)
Identifiable Assets:	**1984**	**1193**	**177**	**(43)**	**1327**	**281**	**490**		**599**	**(43)**
	1983	1363	235	(30)	1568	224	607		767	(30)
	1982	1557	306	(100)	1763	239	653	162	809	(100)
	1981	1928	337	(85)	2180	306	826	193	940	(85)
Depreciation and Amortization:	**1984**	**25**	**12**		**37**					
	1983*	10	4		14					
	1982	55	16		71					
	1981	62	19		81					
Capital expenditures:	**1984**	**26**	**10**		**36**					
	1983*	3	2		5					
	1982	28	19		47					
	1981	33	11		44					
				General Corporate Expense and Associate Companies						General Corporate Expense and Associate Companies
Provision for Unusual Costs and Reorganization Expense:	**1984**	**9**	**7**		**16**	**2**	**6**		**8**	
	1983									
	1982	160	9	2	171	20	86	15	48	2
	1981	17	10	(22)	5		6		21	(22)

*These 1983 amounts relate to the three month period ended January 31, 1983.

	Year ended January 31 **1984**	*Three months ended January 31 1983*	Years ended October 31 1982	Years ended October 31 1981
Profit (loss) before items shown below	**$ 48**	*$ (40)*	$ (20)	$ 37
Interest expense, net	**(90)**	*(43)*	(187)	(265)
Exchange adjustments and foreign currency exchange rate changes in Cost of Goods Sold	**(4)**	*(9)*	(37)	29
General corporate expense, net	**(13)**	*(6)*	(10)	(15)
(Loss) profit before Provision for Unusual Costs and Reorganization Expense, Income Taxes, Equity in net income of Finance Subsidiaries and Associate Companies	**$ (59)**	*$ (98)*	$ (254)	$ (214)
Identifiable assets	**$1327**	*$1568*	$ 1763	$ 2180
Investment in Finance Subsidiaries and Associate Companies	**191**	*222*	210	210
Corporate Assets	**63**	*53*	96	113
Total assets	**$1581**	*$1843*	$2069	$2503

14. Interest Expense and Exchange Adjustments

Prior to the sale of its operations in Argentina and the deconsolidation of its Brazilian subsidiary (see Note 4), the Company made the following adjustments to interest costs and exchange in these operations. Interest expense and interest income in these hyper-inflation economies included a substantial factor for inflation which bears a close relationship to the continuing devaluation of the local currencies against the U.S. dollar. Interest on long-term debt and Other Interest were therefore reported net of exchange gains and losses on interest-bearing local currency denominated assets and liabilities in these countries. The net exchange gain offset against interest on long-term debt and Other Interest is $3.1 million in the three months ended January 31, 1983 and $22.5 million and $25.0 million in the years ended October 31, 1982 and 1981 respectively.

Interest income of $28.3 million in the year ended January 31, 1984 ($8.3 million for the three months ended January 31, 1983; $37.4 million and $37.0 million, in the years ended October 31, 1982 and 1981 respectively, which were net of the exchange adjustment described above), has been deducted from "Other Interest" expense.

15. Unusual Costs and Reorganization Expense

During the past six years, the Company has reported certain costs associated with various programs to restructure and rationalize its operations. The estimated net costs of these programs are presented in the Consolidated Statements of Income under the caption "Provision for Unusual Costs and Reorganization Expense". The principal components are:

(Millions of U.S. dollars)	Year ended January 31 1984	October 31 1982	1981
Rationalization and realignment of manufacturing and other facilities:			
Manpower reductions and relocations	**$15.8**	$ 61.2	$ 12.4
Provisions for loss on inventory and other assets resulting from plant closures		53.2	12.9
Provisions for write down of fixed assets resulting from plant closures (net of gains on disposal of other fixed assets)	**0.1**	41.7	2.2
	15.9	156.1	27.5
Net loss (gain) on investments		14.7	(22.4)
	$15.9	$170.8	$ 5.1

16. Loss Per Common Share

Loss per common share has been calculated after deducting dividend entitlements on preferred shares, using the weighted monthly average number of common shares outstanding during the period as follows:

	1984	1983	1982	1981
Year ended Jan. 31	**87,328,218**			
Three months ended Jan. 31		57,078,598		
Year ended Oct. 31			50,661,551	24,666,935

As indicated in Note 10(a)(iv), Massey-Ferguson Limited agreed to issue approximately 66 million common shares or rights to acquire common shares, under the March 7, 1983 refinancing agreements. The losses per common share for the year ended January, 31, 1984, for the three months ended January 31, 1983 and for the year ended October 31, 1982 on the basis that all these shares and rights were issued and outstanding at the beginning of the periods are $0.66, $0.77 and $3.47 per common share respectively.

17. Other Information

(a) Reconciliation Between Canadian and United States Accounting Principles

The financial statements were affected by the following differences between generally accepted accounting principles in Canada and in the United States.

(i) The interest reduction which formed part of the July 16, 1981 refinancing program and the costs of restructure have been treated in these consolidated financial statements as capital transactions, by way of a credit and a debit, respectively, to contributed surplus. The principal and interest reductions arising from the March 7, 1983 refinancing and the related restructure costs have been treated similarly in the Pro Forma Consolidated balance sheet as at January 31, 1983 and in the financial statements for the year ended January 31, 1984. Under accounting principles generally accepted in the United States the benefit of the interest reduction would be recognized as reduced interest expense over the revised term of the related debt. The 1983 costs of restructure and the gain arising on reduction of principal would be reflected in the consolidated statements of income as extraordinary items.

(ii) The actuarial surplus in the United Kingdom subsidiaries' pension fund (see Note 2(b)), would be amortized over ten years under United States principles instead of over three years.

(iii) As required by Canadian accounting principles, the Company began on February 1, 1983 deferring and amortizing the exchange transaction gains and losses on long-term foreign currency denominated monetary items over the life of the related item. Under U.S. principles, these gains and losses would be credited or charged, as appropriate, to the income statement.

The effect of these differences is set out below:

Consolidated Statements of Income

Three months ended January 31, 1983		Year ended January 31, **1984**	October 31, 1982	1981
$ 94.4	Loss–as reported	**$ 68.0**	$413.2	$194.8
	Add (deduct):			
	(i) Refinancing programs			
	–Extraordinary gain on restructure	**(120.6)**		
(4.6)	–interest on long-term debt	**(31.9)**	(9.8)	0.9
	–cost of restructure	**5.3**		10.4
	(ii) Marketing, general and administration	**17.2**		
	(iii) Transaction exchange loss on long-term foreign currency denominated monetary items	**0.9**		
$ 89.8	Net (income) loss under U.S. accounting principles	**$ (61.1)**	$403.4	$206.1
	Loss (income) per common share under U.S. accounting principles (before extraordinary item)			
$1.66	–basic	**$ 0.83**	$8.75	$9.05
$0.73	–pro forma (See Note 16)	**$ 0.59**	$3.39	
	Extraordinary item per share			
	–basic	**$(1.38)**		
	–pro forma (See Note 16)	**$(0.98)**		
	Net (income) loss per share			
$1.66	–basic	**$(0.55)**	$8.75	$9.05
$0.73	–pro forma (See Note 16)	**$(0.39)**	$3.39	

Consolidated Balance Sheets

	Long-term Debt	Pension and other Employee Benefits	Contributed Surplus	Deficit
January 31, 1984 as reported	$ 653.4	$50.5	$471.8	$(691.3)
Adjustment for items above	137.7	18.1	(288.0)	132.2
Under United States principles	$ 791.1	$68.6	$183.8	$(559.1)
January 31, 1983 as reported	$1,025.3	$51.9	$293.7	$(623.3)
Adjustment for items above	104.8		(107.9)	3.1
Under United States principles	$1,130.1	$51.9	$185.8	$(620.2)
October 31, 1982 as reported	$1,024.6	$49.6	$293.8	$(528.9)
Adjustment for items above	109.4		(107.9)	(1.5)
Under United States principles	$1,134.0	$49.6	$185.9	$(530.4)
October 31, 1981 as reported	$1,031.3	$45.5	$170.6	$(115.7)
Adjustments for items above	119.2		(107.9)	(11.3)
Under United States principles	$1,150.5	$45.5	$ 62.7	$(127.0)

(b) Securities and Exchange Commission (SEC) Requirements

SEC rules regulating financial statement disclosure state that certain redeemable preferred shares cannot be included in a general heading "Shareholders' Equity" nor in a combined total for equity securities. In addition, the terms and dates of redemption of such shares must be presented in a separate note entitled "Redeemable Preferred Shares".

The Company's preferred shares are considered by the SEC to be redeemable preferred shares to be presented outside Shareholders' Equity. In accordance with Canadian generally accepted accounting principles the Company's Preferred shares are included as part of "Shareholders' Equity" in the Consolidated Balance Sheets.

(c) Cash provided by (used in) operations:

(Millions of U.S. dollars)

Three months ended Jan. 31 1983	*1982 (Unaudited)*		Year ended Jan. 31 **1984**	Years ended October 31, 1982	1981
$(94.4)	*$ (73.5)*	Net loss for the period	**$(68.0)**	$(413.2)	$(194.8)
		Items not affecting working capital:			
13.6	*17.2*	Depreciation, and amortization of production tooling	**36.6**	70.9	81.0
(4.8)	*(9.6)*	Exchange adjustments on long-term debt	**(2.5)**	(41.7)	(25.7)
3.1	*12.5*	Interest expense not involving an outlay of funds	**29.5**	33.2	20.5
(1.4)	*(6.9)*	Excess (deficiency) of dividends received from Finance Subsidiaries over equity in earnings	**26.4**	(0.7)	(15.4)
		Net gain on disposal of investments		(2.1)	(19.9)
7.8		Fixed assets and other asset write-downs		34.5	
4.1	*(1.7)*	Other	**10.4**	7.5	8.0
(72.0)	*(62.0)*	Working capital provided by (used in) operations	**32.4**	(311.6)	(146.3)
		Changes in components of working capital related to operations (except cash)			
		Decrease (increase) in current assets:			
90.9	*171.3*	Receivables and due from unconsolidated subsidiaries	**0.2**	281.4	15.8
(11.2)	*(47.2)*	Inventories	**111.1**	121.2	241.8
1.4	*(4.3)*	Prepaid expenses and other current assets	**11.8**	9.8	19.5
		(Decrease) increase in current liabilities:			
(12.5)	*(106.7)*	Accounts payable, accrued charges and due to unconsolidated subsidiaries	**(99.5)**	(79.9)	(87.9)
(2.3)	*1.9*	Taxes payable and advance payments from customers	**1.4**	0.5	(15.6)
		Foreign currency translation adjustment to current assets and liabilities	**(12.6)**		
$(5.7)	*$ (47.0)*	Cash provided by (used in) operations	**$44.8**	$21.4	$27.3

(d) Pension plan information

In the U.S., based upon the October 31, 1982 actuarial valuation, the actuarial present value of accumulated plan benefits was $83.8 million at January 31, 1984 ($77.7 million at January 31, 1983 based on the October 31, 1981 valuation) of which $76.5 million ($70.8 million at January 31, 1983 based on the October 31, 1981 valuation) represented vested benefits. Net assets including balance sheet accruals available for benefits at that date was $85.9 million ($76.5 million at January 31, 1983). The assumed interest rate used in determining this benefit information was approximately 9.4% (9.7% in 1981).

Company pension plans not subject to ERISA are in effect outside the United States, primarily in the United Kingdom, Canada and Germany. In Canada the Company funds pension expense, as required by law. In Canada, the actuarially computed present value of accumulated plan benefits, based on the latest (October 31, 1982) valuation, exceeded the market value of pension fund assets and balance sheet accruals by $18.8 million at January 31, 1984 ($25.8 million at January 31, 1983 based on the October 31, 1981 valuation), of which $15.1 million ($21.4 million at January 31, 1983 based on the October 31, 1981 valuation) was vested.

(e) Related party transactions

Marketing, general and administration expenses include $9.5 million, $2.7 million and $12.6 million paid to unconsolidated finance subsidiaries in the year ended January 31, 1984, three months ended January 31, 1983 and the year ended October 31, 1982, respectively (1981–$46.1 million), for low-rate financing and interest waiver programs.

Finance Subsidiaries

Massey-Ferguson Limited

(Millions of U.S. Dollars)

Combined Statements of Assets and Liabilities

	January 31, 1984	*January 31, 1983*
	(Note 1(b))	
Assets:		
Cash and short-term investments	**$150.9**	*$151.8*
Receivables (*Notes 3 and 10)*	**514.9**	*710.5*
Due from affiliates	**1.9**	*2.4*
Long-term receivables from affiliates	**20.8**	
Prepaid expenses	**2.7**	*3.2*
	$691.2	*$867.9*
Liabilities:		
Short-term notes payable (*Note 4*)	**$ 59.5**	*$ 69.0*
Due to affiliates	**35.4**	*29.0*
Dealer deposits	**12.0**	*14.8*
Accrued charges	**18.0**	*20.1*
Income taxes payable	**0.8**	*0.8*
Deferred income taxes	**6.5**	*11.9*
Long-term debt (*Notes 2 and 5*)	**394.7**	*529.4*
	526.9	*675.0*
Equity:		
Share capital (*Note 6*)	**59.6**	*59.2*
Contributed surplus (*Note 6*)	**6.1**	*5.9*
Retained earnings (*Note 7*)	**102.9**	*127.8*
Equity adjustment from foreign currency translation (*Note 1(b)*)	**(4.3)**	
	164.3	*192.9*
	$691.2	*$867.9*

Combined Statements of Income and Retained Earnings

Three months ended January 31, 1983	*1982* (Unaudited)		Year ended January 31, **1984**	Years ended October 31, 1982	1981
		Revenue:			
		Interest and finance fees			
$ 10.6	*$ 16.2*	–Affiliates	**$ 37.5**	$ 51.7	$102.1
21.7	*30.1*	–Third parties	**62.7**	107.8	80.3
32.3	*46.3*		**100.2**	159.5	182.4
		Expenses:			
4.1	*4.2*	Administration	**18.8**	20.9	21.9
16.8	*24.3*	Interest on long-term debt	**52.9**	88.2	56.0
		Interest on short-term debt			
0.7	*0.4*	–Affiliates	**1.9**	2.1	3.8
2.9	*4.8*	–Third parties	**8.9**	14.9	58.4
		Loss on sale of notes receivable	**2.7**		
1.7	*0.2*	Provision for doubtful accounts	**4.5**	9.1	2.0
2.5	*1.6*	Exchange adjustments	**1.3**	8.3	11.0
28.7	*35.5*		**91.0**	143.5	153.1
3.6	*10.8*	**Income before Income Taxes**	**9.2**	16.0	29.3
		Income Taxes: *(Note 8)*			
4.4	*4.1*	Current	**9.0**	5.1	11.6
(2.2)	*(0.2)*	Deferred	**(5.4)**	2.5	2.2
2.2	*3.9*		**3.6**	7.6	13.8
1.4	*6.9*	**Net Income for the Period**	**5.6**	8.4	15.5
126.4	*125.7*	**Retained Earnings at Beginning of Period**	**127.8**	125.7	110.3
127.8	*132.6*		**133.4**	134.1	125.8
		Deduct:			
		Dividends on preferred shares	**0.1**	0.1	0.1
		Dividends on common shares	**30.4**	7.6	
$127.8	*$132.6*	**Retained Earnings at End of Period**	**$102.9**	$126.4	$125.7

(See accompanying Notes to Finance Subsidiaries' Combined Statements.)

Three months ended January 31, 1983	1982 (Unaudited)	(Millions of U.S. Dollars)	Year ended January 31, 1984	Years ended October 31, 1982	1981
		Combined Statements of Changes in Financial Position			
		Cash from Receivable Transactions and Operations:			
$ 1.4	*$ 6.9*	Net Income	**$ 5.6**	$ 8.4	$ 15.5
322.6	*469.8*	Collection on liquidation of receivables (net of change in unearned interest and discount, and allowance for doubtful accounts)	**1,328.2**	1,557.3	1,809.1
(215.3)	*(407.2)*	Cost of receivables acquired	**(1,132.1)**	(1,342.4)	(1,754.1)
107.3	*62.6*		**196.1**	214.9	55.0
(15.0)	*(51.0)*	(Decrease) increase in due to affiliates	**6.4**	(73.5)	25.0
(0.1)	*0.6*	(Decrease) increase in accrued charges and dealer deposits	**(4.9)**	3.4	0.2
(1.7)	*(7.4)*	(Decrease) increase in other accounts net	**(9.2)**	1.9	3.5
91.9	*11.7*	Cash provided by (used in) receivable transactions and operations	**194.0**	155.1	99.2
		Other Sources of Cash:			
0.1	*0.1*	Issue of share capital	**0.4**	0.4	0.4
		Contributions to surplus	**1.7**	1.7	4.2
0.1	*0.1*	Total other sources of cash	**2.1**	2.1	4.6
		Other Uses of Cash:			
		Reduction in long-term advances from affiliates		1.9	0.6
		Increase in long-term receivables from affiliates	**20.8**		
38.3	*10.5*	Reduction in long-term debt	**134.7**	48.4	4.5
(1.8)	*22.0*	Reduction (increase) in short-term notes payable (net of $360.9 converted to long-term debt, less repayments, in 1981)	**9.5**	34.4	102.7
		Cash dividends paid	**32.0**	7.7	0.1
36.5	*32.5*	Total other uses of cash	**197.0**	92.4	107.9
55.5	*(20.7)*	(Decrease) increase in cash and short-term investments during the period	**(0.9)**	64.8	(4.1)
96.3	*31.5*	Cash and short-term investments at beginning of period	**151.8**	31.5	35.6
$ 151.8	*$ 10.8*	Cash and short-term investments at end of period	**$ 150.9**	$ 96.3	$ 31.5

(See accompanying Notes to Finance Subsidiaries' Combined Statements.)

Notes to Finance Subsidiaries' Combined Statements

Massey-Ferguson Limited

1. Summary of Significant Accounting Policies

The finance subsidiaries' combined financial statements have been prepared by management following accounting policies generally accepted in Canada. They are also in conformity, in all material respects, with accounting policies generally accepted in the United States.

The finance subsidiaries finance only products sold by the Company and its subsidiaries. The North American finance subsidiaries provide financing to retail purchasers of the Company's farm and industrial equipment. The finance subsidiaries outside North America provide financing for export sales to distributors and, to a lesser extent, help to finance domestic sales to dealers and distributors.

(a) Basis of Presentation

The accompanying combined financial statements combine the accounts of Massey-Ferguson Finance Company of Canada Limited and its subsidiaries Massey-Ferguson Finance (Alberta) Limited and Massey-Ferguson Finance (Québec) Limitée; Massey-Ferguson Credit Corporation (U.S.A.); Massey-Ferguson-Perkins Finance Company Limited (U.K.); Perkins Engines Finance Company Limited (U.K.); Massey-Ferguson Finance A.G. (Switzerland); MF Finanziaria S.p.A. (Italy); Massey-Ferguson Finance (Australia) Limited; MF Factoring GmbH (Germany) and MF Finans A.S. (Denmark).

(b) Exchange Translation

The statements of companies whose accounts are maintained in other currencies have been translated into U.S. dollars substantially as follows: assets and liabilities at exchange rates prevailing at the end of the year; share capital and contributed surplus at rates prevailing on the transaction dates; revenue and expenses at average exchange rates during the year. Translation gains or losses were included in income prior to February 1, 1983.

Effective February 1, 1983, the Company adopted the new exchange translation rules of the Canadian Institute of Chartered Accountants. Under these rules, translation gains and losses are reflected in Shareholders' Equity. As a result of adopting these rules, Shareholders' Equity at February 1, 1983 was reduced by $3.1 million. At January 31, 1984, there was a net reduction to Shareholders' Equity of $4.3 million as a result of this translation adjustment.

(c) Finance Income

Interest and discounts are generally taken into income in declining amounts over the life of the contract on the basis of effective yield.

(d) Income Taxes

The companies follow the deferral method of tax allocation in accounting for income taxes.

(e) Classification of Assets and Liabilities

In accordance with industry practice, the assets and liabilities have not been classified as current or non-current.

2. Refinancing

As indicated in Note 3 to the Consolidated Financial Statements, the Company and its subsidiaries agreed to a refinancing program on July 16, 1981 and to a further restructuring program on March 7, 1983. Under several of the refinancing agreements the Finance Subsidiaries are required to maintain certain financial ratios including maintaining assets in specified relationships to indebtedness and maintenance of minimum levels of net worth. With reference to the Finance Subsidiaries, the March 7, 1983 restructuring agreements did not otherwise significantly amend the July 1981 agreements.

Under the terms of the July 1981 restructuring, substantially all the lenders agreed that there will be no reduction of credit facilities until June 1984. As a result, $360.9 million of short-term notes payable was converted to long-term debt at July 16, 1981.

At March 31, 1983, the Company was not in compliance with a covenant, namely the net worth (as defined in the agreement) in Massey-Ferguson Credit Corporation (its U.S. finance subsidiary) which had fallen below the level agreed to. Subsequent to March 31, 1983, the Company has remedied this non-compliance within the period allowed under the agreements. See Note 3(c) to the Consolidated Financial Statements.

Massey-Ferguson Limited has guaranteed $307.2 million, $451.4 million and $461.7 million of the Finance Subsidiaries' indebtedness for monies borrowed at January 31, 1984, January 31, 1983 and October 31, 1982, respectively.

3. Receivables

Receivables are shown net of the following provisions:

(Millions of U.S. dollars)	January 31, **1984**	*January 31, 1983*
Allowance for doubtful accounts	**$ 20.5**	*$ 17.4*
Unearned interest and discount	**71.0**	*100.4*
	$ 91.5	*$117.8*

At January 31, 1984 and January 31, 1983, approximately 36 percent and 31 percent respectively of the receivables, before provisions, mature beyond one year, as follows:

	January 31, **1984**	*January 31, 1983*
13–24 months	**$112.5**	*$146.8*
25–36 months	**68.5**	*77.4*
over 36 months	**34.1**	*34.9*
	$215.1	*$259.1*

4. Short-Term Financing

The Finance Subsidiaries have the following lines of credit:

(Millions of U.S. dollars)	January 31, **1984**	*January 31, 1983*
(a) Lines of Credit	**$131.1**	*$149.4*
(b) Discounting facilities (included in (a))	**77.7**	*86.9*
(c) Unused lines of credit (included in (a))	**71.6**	*80.4*

Lines of credit of $101.6 million are available until June 1984 with 25% annual reduction in the lines of credit thereafter at the option of the lender. The facilities are classified as short-term since the receivables discounted have terms of less than one year and there is no assurance that they will be replaced at maturity.

Receivables have been pledged as collateral for short-term notes payable in the amounts of $58.8 million and $69.0 million at January 31, 1984 and January 31, 1983, respectively.

5. Long-Term Debt

(a) Repayable in currency of country indicated unless otherwise shown; maturity dates are for fiscal years ending January 31 (i.e., fiscal 1984 represents the period February 1, 1984 to January 31, 1985):

(Millions of U.S. dollars)	January 31, **1984**	*January 31, 1983*
Massey-Ferguson Finance (Australia) Limited:		
Senior bank loans maturing 1986 bearing interest at various rates from 12.2% to 15%	**$ 21.1**	*$ 24.8*
Massey-Ferguson Finance Company of Canada Limited: *(f)*		
Senior bank revolving term credit maturing 1983 bearing interest at 1% above prime rate *((b) and (c))*		*46.2*
Senior Note maturing 1983 repayable in U.S. dollars bearing interest at 1⅛% above Eurodollar interbank rate		*9.0*
8½% Subordinated Notes maturing 1983		*2.0*
11⅛% Subordinated Notes maturing 1983		*4.8*
Subordinated Note maturing 1983 repayable in U.S. dollars bearing interest at 1⅝% above the Eurodollar interbank rate		*4.5*
MF Finanziaria S.p.A. (Italy):		
Senior Note maturing 1986-88 bearing interest at 2⅜% above London interbank offered rate	**2.3**	*3.0*
MF Finance A.G. (Switzerland):		
Subordinated bank loans maturing 1988 repayable in various Eurocurrencies bearing interest at 1¼% above applicable Eurocurrency rate	**7.8**	
Massey-Ferguson–Perkins Finance Company Limited (United Kingdom):		
Senior bank loans maturing 1984-87 repayable in U.S. dollars bearing interest at 1% above various London bank market rates	**6.8**	*8.0*
Senior bank loans maturing 1984-87 bearing interest at 1% above various London interbank market rates	**44.7**	*28.3*
Massey-Ferguson Credit Corporation (U.S.A.): *(f)*		
5¼% Senior Notes maturing 1984-86 *(g)*	**14.0**	*15.0*
7⅝% Senior Notes maturing 1984-88 *(g)*	**10.2**	*10.9*
8¾% Senior Notes maturing 1984-87 *(g)*	**32.7**	*35.0*
9¾% Senior Notes maturing 1984-91 *(g)*	**27.7**	*29.6*
Senior Notes maturing 1984-87 bearing interest at 1⅝% above Eurodollar interbank rate	**5.8**	*6.3*
Senior Notes maturing 1984-87 bearing interest at 1⅛% above Eurodollar interbank rate	**21.0**	*22.5*
Senior Notes maturing 1984-87 bearing interest at 1% above Eurodollar interbank rate	**28.0**	*30.0*
8% Senior Debentures maturing 1985-93	**12.6**	*14.0*
Senior revolving term credit maturing 1984-87 bearing interest at ¼% above U.S. prime rate plus commitment, availability and usage fees *(e)*	**117.4**	*190.1*
7⅞% Subordinated Notes maturing 1984-88 *(g)*	**2.6**	*2.7*
9¼% Subordinated Notes maturing 1984-92 *(g)*	**9.4**	*10.0*
10% Subordinated Notes maturing 1984-91 *(g)*	**11.9**	*12.7*
Subordinated Notes maturing 1984-87 bearing interest at 1⅛% above Eurodollar interbank rate	**18.7**	*20.0*
	$394.7	*$529.4*
Senior	**$344.3**	*$472.7*
Subordinated	**50.4**	*56.7*
Total long-term debt	**$394.7**	*$529.4*

(b) Prior to May, 1983, Massey-Ferguson Finance Company of Canada Limited and Massey-Ferguson Industries Limited had a joint bank revolving term credit facility of $255.2 million (Cdn.). During May, 1983, Massey-Ferguson Finance Company of Canada Limited repaid the amounts borrowed under this facility and the entire line of credit is now available only to Massey-Ferguson Industries Limited.

(c) Unused lines of credit at January 31, 1984 were $120.8 million.

(d) Instalments due and maturities during the next five years are as follows: 1984 (*i.e.*, period ending January 31, 1985)–$40.9 million; 1985–$93.0 million; 1986–$124.4 million; 1987–$95.0 million; 1988–$18.2 million.

(e) The revolving term credit lines in Massey-Ferguson Credit Corporation require compensating balances to be maintained averaging a fixed percentage of the line and its usage, or the payment of a fee in lieu thereof as agreed with individual banks. The average amount of monthly balance required for the year ended January 31, 1984 was $25.8 million (calendar year 1982 and for the month of January 1983 was $32.9 million). The amounts on deposit (on which there are no compensating balance restrictions) were:

(Millions of U.S. Dollars)	January 31, 1984	*January 31, 1983*	October 31, 1982
Average amount on deposit	**$41.9**	*$ 86.2*	$30.2
Amount on deposit at period end	**$ 1.9**	*$143.9*	$86.7

(f) Massey-Ferguson Credit Corporation is a party to a Trust Agreement in favour of the lenders whereby the Trustee holds in trust, as collateral, all rights, title and interest, in substantially all of the assets of that finance company of $457.8 million and $544.5 million at January 31, 1984 and January 31, 1983, respectively. Total assets of Massey-Ferguson Finance Company of Canada Limited are $22.9 million and $105.5 million at January 31, 1984 and January 31, 1983, respectively, and substantially all of these have been pledged as collateral for the debt and the share capital of its subsidiaries has also been pledged.

(g) The instalments of fixed rate debt that were deferred under the refinancing agreements and amounting to $27.6 million at January 31, 1984 ($21.6 million at January 31, 1983) bear interest at approximately 16¼% for the period of the deferral.

6. Share Capital and Contributed Surplus

During the year ended January 31, 1984, Massey-Ferguson Finance Company of Canada Limited declared and paid dividends of $1.5 million out of contributed surplus and received $1.7 million as a contribution from Massey-Ferguson Industries Ltd. Also during this period, Massey-Ferguson Finance (Australia) Limited received $0.4 million from a share issue ($0.1 million during the three months ended January 31, 1983 and $0.4 million during each of the years ended October 31, 1982 and 1981).

7. Retained Earnings

In connection with various agreements relating to the long-term debt, $87.6 million and $93.7 million of the Finance Subsidiaries' retained earnings at January 31, 1984 and January 31, 1983, respectively, are restricted as to dividends.

8. Income Taxes

The components of pre-tax income (loss) and income tax expense are as follows:

(Millions of U.S. Dollars)

Three months ended January 31, 1983		Year ended January 31, **1984**	Years ended October 31, 1982	1981
	Pre-Tax income (Loss):			
$ 1.3	Domestic	**$ (3.4)**	$ 0.4	$ (0.9)
2.3	Foreign	**12.6**	15.6	30.2
$ 3.6	Total	**$ 9.2**	$16.0	$ 29.3
	Income Tax Expense:			
	Canadian Federal and Provincial Income Taxes:			
	Current	**$ 0.2**		$ (0.2)
$ 0.8	Deferred	**(1.4)**	$ 0.6	
0.8	Total	**(1.2)**	0.6	(0.2)
	Foreign Taxes:			
4.4	Current	**8.8**	5.1	11.8
(3.0)	Deferred	**(4.0)**	1.9	2.2
1.4		**4.8**	7.0	14.0
$ 2.2	Total	**$ 3.6**	$ 7.6	$ 13.8

Deferred tax expense (recovery) results from timing differences between reported and taxable income which are attributable to the use of the cash basis of accounting for U.S. tax purposes and to timing differences pertaining to treatment of discounts on receivables sold in Canada.

Income taxes differ from the amount computed by applying the Canadian tax rate to the combined income before taxes. The reasons for the differences are as follows:

Three months ended January 31, 1983 %		Year ended January 31, **1984** %	Years ended October 31, 1982 %	1981 %
50.0	Canadian tax rate	**48.0**	50.0	51.2
(3.4)	Net effect of foreign income subject to tax at other than above rates	**5.5**	(1.2)	(2.4)
(30.5)	Group tax relief	**(13.7)**	(25.9)	(20.6)
45.0	Exchange adjustments	**(0.7)**	24.6	18.9
61.1	Actual tax rate applicable to income before income taxes	**39.1**	47.5	47.1

9. Business Segment Information

The Finance Subsidiaries operate in a single industry segment. Operations and identifiable assets by geographic region for the year ended January 31, 1984, for the three months ended January 31, 1983 and for the years ended October 31, 1982 and 1981 are as follows:

(Millions of U.S. Dollars)

		Canada	U.S.	Europe and Other	Combined
Revenue	1984	**$ 5.4**	**$ 62.2**	**$ 32.6**	**$100.2**
	1983	4.3	19.1	8.9	32.3
	1982	22.5	89.3	47.7	159.5
	1981	22.1	98.5	61.8	182.4
Net Income (Loss)	1984	**(2.3)**	**5.0**	**2.9**	**5.6**
	1983	0.5	1.5	(0.6)	1.4
	1982	(0.2)	7.3	1.3	8.4
	1981	(0.7)	14.5	1.7	15.5
Identifiable Assets	1984	**34.1**	**457.8**	**199.3**	**691.2**
	1983	105.5	544.5	217.9	867.9
	1982	117.3	548.4	254.5	920.2
	1981	181.5	542.6	345.6	1,069.7

10. Sale of Notes Receivable

During the year ended January 31, 1984, Massey-Ferguson Finance Company of Canada Limited sold with recourse retail notes receivable with a face value of $166.6 million net of unearned finance charges and allowances. The uncollected contractual principal of the sold notes at January 31, 1984 was $122.6 million.

Management's Report on Financial Statements

The accompanying financial statements of the Company were prepared by management in accordance with accounting principles generally accepted in Canada, consistently applied and within the framework of the accounting policies summarized in Note 1 to these financial statements. Management is responsible for all information in the Annual Report. All financial and operating data in the Report are consistent, where appropriate, with that contained in the financial statements.

Management is responsible for the integrity and objectivity of the financial statements. In the preparation of these statements, estimates are sometimes necessary when transactions affecting the current accounting period are dependent on the outcome of future events. Such estimates are based on careful judgements and have been properly reflected in the accompanying financial statements. Management has established systems of internal control which are designed to provide reasonable assurance that assets are safeguarded from loss or unauthorized use and to produce reliable accounting records.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control. The Board exercises these responsibilities principally through the Audit Committee of the Board, which is composed of directors who are not employees of the Company. The Committee meets periodically with management, the internal auditors and the external auditors to satisfy itself that their responsibilities are properly discharged and to review the financial statements.

The external auditors conduct an independent examination in accordance with generally accepted auditing standards, and express their opinion on the financial statements. Their examination includes a review and evaluation of the systems of internal control and appropriate tests and procedures to provide reasonable assurance that the financial statements are presented fairly. The external auditors have full and free access to the Audit Committee of the Board.

Management recognizes its responsibility for conducting the Company's affairs in compliance with established financial standards and applicable laws, and for the maintenance of proper standards of conduct in its activities.

Victor A. Rice
Chairman and Chief Executive Officer

Vince D. Laurenzo

Vincent D. Laurenzo
President

I Porter

Ivan Porter
Senior Vice President
Finance

March 9, 1984

To the Shareholders of Massey-Ferguson Limited:

We have examined:

(a) the consolidated balance sheets of Massey-Ferguson Limited as at January 31, 1984 and 1983 and the consolidated statements of income, changes in shareholders' equity and changes in financial position for the year ended January 31, 1984, the three months ended January 31, 1983 and for each of the two years ended October 31, 1982 and 1981;

(b) the pro forma consolidated balance sheet of Massey-Ferguson Limited as at January 31, 1983; and

(c) the combined statements of assets and liabilities of the Finance Subsidiaries of Massey-Ferguson Limited as at January 31, 1984 and 1983 and the combined statements of income and retained earnings and changes in financial position for the year ended January 31, 1984, the three months ended January 31, 1983 and for each of the two years ended October 31, 1982 and 1981.

Our examinations were made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly:

(a) the consolidated financial position of Massey-Ferguson Limited as at January 31, 1984 and 1983 and the results of its consolidated operations and the changes in its consolidated financial position for the year ended January 31, 1984, the three months ended January 31, 1983 and for each of the two years ended October 31, 1982 and 1981;

(b) the pro forma consolidated financial position of Massey-Ferguson Limited as at January 31, 1983 after giving effect to the transactions described in Note 3(b)(ii) to the consolidated financial statements; and

(c) the combined assets and liabilities of the Finance Subsidiaries as at January 31, 1984 and 1983 and the results of their combined operations and the changes in their combined financial position for the year ended January 31, 1984, the three months ended January 31, 1983 and for each of the two years ended October 31, 1982 and 1981,

all in accordance with accounting principles generally accepted in Canada which, except for the changes, with which we concur, in the method of accounting for foreign currency transactions and translation as described in Note 2(a) to the consolidated financial statements and in Note 1(b) to the combined financial statements, and in the method of accounting for pension costs as described in Note 2(b) to the consolidated financial statements, have been applied on a consistent basis during the period.

The accompanying consolidated statements of income and changes in financial position of Massey-Ferguson Limited and the accompanying combined statements of income and retained earnings and changes in financial position of the Finance Subsidiaries of Massey-Ferguson Limited for the three months ended January 31, 1982 were not audited by us and, accordingly, we do not express an opinion on them.

Toronto, Canada — Clarkson Gordon
March 9, 1984 — Chartered Accountants

Comments by Auditors for U.S. Readers on Canada-United States Reporting Conflict:

The above opinions are expressed in accordance with standards of reporting generally accepted in Canada. Had the report been prepared in accordance with United States reporting standards, our opinions on the 1984 financial statements would have been qualified with respect to the outcome of the significant uncertainties referred to in Note 3(c) to the accompanying consolidated financial statements.

Toronto, Canada — Clarkson Gordon
March 9, 1984 — Chartered Accountants

Supplementary Information (unaudited)

(a) Quarterly condensed unaudited income statements for the year ended January 31, 1984, for the three months ended January 31, 1983 and for the year ended October 31, 1982 are presented below.

(Millions of U.S. Dollars except per share amounts)

	1983 Quarter				*Three months ended January 31, 1983*	1982 Quarter			
	1	**2**	**3**	**4**		1	2	3	4
Net Sales	**$403.3**	**$401.1**	**$368.6**	**$362.0**	*$313.3*	$480.6	$558.0	$518.2	$501.3
Gross Profit	**77.2**	**74.7**	**67.7**	**64.1**	*10.2*	60.0	108.0	27.8	54.3
Costs and Expenses	**97.9**	**90.6**	**77.9**	**76.2**	*108.2*	131.6	138.6	101.2	132.9
Loss before Items Shown Below	**20.7**	**15.9**	**10.2**	**12.1**	*98.0*	71.6	30.6	73.4	78.6
Provision for Unusual Costs and Reorganization Expense		**0.6**	**4.9**	**10.4**		10.4		10.0	150.4
Income Tax Expense (Recovery)	**0.3**	**(2.2)**	**(1.3)**	**2.0**	*(2.2)*	(1.6)	(1.0)	0.3	(1.0)
Equity in net (income) loss of Finance Subsidiaries	**(3.1)**	**(3.0)**	**(1.9)**	**2.4**	*(1.4)*	(6.9)	(3.9)	3.3	(1.0)
Net Loss	**$ 17.9**	**$ 11.3**	**$ 11.9**	**$26.9**	*$ 94.4*	$ 73.5	$ 25.7	$ 87.0	$227.0
Loss per common share (in U.S. dollars after dividends on preferred shares)*	**$0.26**	**$0.16**	**$0.17**	**$0.33**	*$1.74*	$1.84	$0.71	$1.85	$4.21

*The sum of quarterly results per common share does not equal the annual loss per common share because quarterly changes in the weighted average number of common shares outstanding are not proportional to changes in quarterly results.

(b) At March 9, 1984, 97,641,666 Massey-Ferguson common shares were registered in the names of approximately 31,000 shareholders, based on records of the Share Transfer Agent. Of these shares, 61,141,446 are not yet registered or otherwise qualified for general trading.

The principal trading markets for these shares are Toronto and New York. The following table sets out the high and low sale prices of the stock on the Toronto and New York Stock Exchanges.

	January 31, 1984		**January 31, 1983**		October 31, 1982	
	High	**Low**	**High**	**Low**	High	Low
Toronto						
First quarter	**Cdn. $6⅝**	**Cdn. $3.70**	**Cdn. $5⅛**	**Cdn. $2.35**	Cdn. $2.50	Cdn. $1.95
Second quarter	**8¼**	**5½**			3.10	2.02
Third quarter	**7¼**	**5⅝**			3.40	2.21
Fourth quarter	**7⅝**	**5⅝**			2.45	2.08
New York						
First quarter	**U.S. $5⅜**	**U.S. $3**	**U.S. $4⅜**	**U.S. $1⅞**	U.S. $2⅛	U.S. $1⅝
Second quarter	**6¾**	**4½**			2½	1⅝
Third quarter	**5⅞**	**4½**			2¾	1¾
Fourth quarter	**6⅛**	**4⅜**			2⅛	1⅝

Dividends

No dividends have been paid to common shareholders since December 20, 1977. During 1982 (prior to June 1), the Company paid dividends of $1.6 million, $1.1 million, $4.2 million, $6.6 million and $2.5 million on series A,B,C,D and E preferred shares respectively.

As indicated in Note 12 to the Consolidated Financial Statements, covenants included in the March 7, 1983 refinancing agreements stipulate that no dividends will be declared on common shares prior to February 1, 1985. Cash dividends after February 1, 1985 are restricted to 50% of net income earned after that date as reduced by cash dividends and redemption of any preferred shares and requires that the Company is in compliance with all its covenants and undertakings. Terms of the Series A and B preferred shares prevent the payment of dividends on common shares until the aggregate of net income earned less dividends paid on preferred shares plus proceeds from common shares issued after January 31, 1984 exceeds approximately $665 million. Thereafter, an agreement with the Governments of Canada and Ontario, which could remain in effect until June 30, 1991, prevents the declaration or payment of dividends on the common shares except with the written agreement of Ministers of these Governments.

(c) Selected Financial Data

	Year ended January 31, **1984**	Three months ended January 31, 1983	Years ended October 31, 1982	1981	1980	1979
	(Millions of U.S. Dollars except per share data)					
Net Sales	**$1,535**	*$ 313*	$2,058	$2,646	$3,132	$2,973
Loss (income) from continuing operations (before extraordinary item):**						
Canadian accounting principles	**68**	*94*	413	195	200	58
U.S. accounting principles*	**61**	*90*	403	206	200	(38)
Net loss (income) per common share from continuing operations (before extraordinary item):						
Canadian accounting principles	**0.93**	*1.74*	8.95	8.60	11.39	2.38
U.S. accounting principles*	**0.83**	*1.66*	8.75	9.05	11.39	(1.62)
Total assets	**1,581**	*1,843*	2,069	2,503	2,828	2,745
Long-term debt:						
Canadian accounting principles	**653**	*1,025*	1,025	1,031	562	625
U.S. accounting principles*	**791**	*1,130*	1,134	1,151	562	625
Redeemable Preferred Shares	**454**	*454*	454	379	96	96
Shareholders' (Deficit) Equity (excluding Redeemable Preferred Shares):						
Canadian accounting principles	**(169)**	*(311)*	(218)	191	257	482
U.S. accounting princples*	**(325)**	*(416)*	(327)	72	257	482

*See Note 17 (a) to the Consolidated Financial Statements for discussion and analysis of differences in U.S. and Canadian generally accepted accounting principles. See 17 (b) for differences between SEC reporting requirements and Canadian generally accepted accounting principles.

**Includes Provision for Unusual Costs and Reorganization Expense of $15.9 million for the year ended January 31, 1984; $170.8 million in 1982; $5.1 million in 1981; $28.5 million in 1980; and $95.0 million in 1979.

(d) U.S. Dollar as reporting currency

Massey-Ferguson Limited is a holding Company incorporated in Canada with over 100 subsidiaries incorporated in many different countries. The Company manufactures and sells farm and industrial machinery and diesel engines through subsidiaries and through associates in which it holds minority interests. The Company's major manufacturing plants are located in five countries namely Canada, United Kingdom, France, Germany and Italy. The manufacturing plants of its associates are all over the world.

Since 1970 the Company's reporting currency has been the U.S. dollar. The Company believes it is justified in using the U.S. dollar as its reporting currency for the following reasons:

1. The primary economic environment in which Massey-Ferguson Limited operates is international. The Company operates in about ten currencies and clearly needs a stable yardstick currency for measuring the financial results of its operations. Since 1970 the Canadian Government has allowed the Canadian dollar to "float". As a consequence, the Company believed then and does now that the U.S. dollar is a more stable yardstick for measuring its international operations. Since the U.S. dollar is the basic international currency to which all others relate, and since it is one of the major currencies of the company's operations, the U.S. dollar is felt to be the appropriate reporting currency.

2. Although Massey-Ferguson Limited is a Canadian company, the following indicators for the fiscal year ended January 31, 1984 demonstrate its multinational nature:

	Canada	Other
a) Identifiable assets located in	21%	79%
b) Total debt denominated in currency of	16%	84%
c) Sales and operating revenues billed in currency of	11%	89%
d) Common shares held in	27%	73%

In addition, a very large part of the Company's intercompany sales, as well as export sales to other countries made from subsidiaries outside the U.S. is also denominated in U.S. dollars. From these indicators it is concluded that the Company is more internationally oriented than Canadian oriented.

3. For internal reporting purposes at Massey-Ferguson, business thinking and planning, management decision-making and management reporting are carried out in terms of U.S. dollars because it provides the most meaningful frame of reference. To use another currency for external reporting purposes would be impractical.

4. Massey-Ferguson's primary economic environment is similar to that of its principal competitors: Deere, International Harvester, Allis Chalmers and Ford (all domestic SEC registrants). The use of the U.S. dollar reporting currency reflects this. If Massey-Ferguson were to prepare Canadian dollar financial statements, uniformity of reporting currency with these competitors would be lost. This would hamper investors in assessing the Company vis-a-vis its principal competitors.

5. Foreign currency translation considerations also are intertwined with reporting currency considerations. Using the functional currency approach in FAS 52 all of the Company's major operations use the local currency as their functional currency. However, when the business of the Company as a whole is considered, the only logical currency for measuring operation is the U.S. dollar. Sales in U.S. dollars are considerably higher than in Canadian dollars.

In addition to the above, it should be noted that there are no exchange restrictions or controls in Canada, relating to the U.S. dollar and that the Company publishes its financial statements for all of its shareholders in U.S. dollars.

(e) Reporting the Effects of Changing Prices

Purpose

In December, 1982, the Canadian Institute of Chartered Accountants (CICA) issued Recommendations calling for the disclosure of the effects of changing prices as supplementary information in Annual Reports. The disclosures are intended to reflect the impact on the Company 's financial position and operating results of changes in prices of the specific goods and services purchased, produced and used by the Company, and of changes in the general purchasing power of the U.S. dollar, the monetary unit in which transactions are measured. Although there are differences in format and in certain details of the disclosures, the objectives of the CICA disclosures are similar to those of Statement No. 33 of the Financial Accounting Standards Board in the United States.

The following tables and the accompanying notes present management's estimates of the effects of changing prices in accordance with the CICA Recommendations. The Company has in recent years been undertaking a reorganization program that affects both its capital structure and scale of operations. Therefore, many of the relationships disclosed in this supplementary information cannot be expected to continue in future years. It should also be recognized that the information is based on estimates and assumptions that are more subjective than for historical cost information. Caution is necessary when analyzing and interpreting these disclosures.

(i) Consolidated Statement of Income
For The Year Ended January 31, 1984
(Millions of U.S. Dollars)

	Historical	Current Cost Basis
Sales	$1,535.0	$1,535.0
Costs of goods sold and other operating expenses (Note A)	1,557.6	1,573.1
Depreciation (Note A)	36.6	77.4
Gain on sale of fixed assets	(0.3)	
Loss before items shown below	58.9	115.5
Provision for unusual costs and reorganization expense	15.9	15.9
Income tax recovery	(1.2)	(1.2)
Equity in net income of finance subsidiaries	(5.6)	(5.6)
Net loss for the year (Note B)	$ 68.0	124.6
Arrears of cumulative preferred share dividends for the year		12.9
		137.5
Increase in current cost amounts of inventory and fixed assets held during the year		61.9
Loss attributable to common shareholders on a current cost basis in nominal dollars		75.6
General purchasing power adjustments:		
Increase in current cost amounts of inventory and fixed assets attributable to the effects of general inflation		36.4
Gain in general puchasing power from having net monetary liabilities		(48.1)
Total general purchasing power adjustments		(11.7)
Loss attributable to common shareholders on a current cost basis in constant dollars (Note C)		$ 63.9

(ii) Schedule of Consolidated Assets
As at January 31, 1984
(Millions of U.S. Dollars)

	Historical	Current Cost Basis
Inventory	$ 483.1	$ 484.8
Fixed Assets, net	$ 209.6	$ 468.4
Net Assets (Shareholders' (Deficit) Equity excluding Redeemable Preferred Shares)	$(169.0)	$ 91.5

Notes to Reporting the Effect of Changing Prices
Massey-Ferguson Limited
(In U.S. Dollars)

A. Accounting Policies and Current Cost Amounts

Except as indicated below, the accounting policies used for reporting the effects of changing prices are identical to those used in the preparation of the historical cost financial statements.

The current cost of the Company's fixed assets was determined primarily by using appropriate specific indexes or independent market prices. No consideration was given to replacement of assets with a different type, nor to improved operating cost efficiencies of replacement assets or other benefits. Depreciation on a current cost basis has been computed by applying the Company's existing depreciation policies to the average gross current cost of fixed assets for the period. However, the estimated useful lives of fully or almost fully depreciated buildings and machinery and equipment have been extended where they are still in use. The effect of this change in useful lives, which results in a more accurate current cost depreciation charge, has resulted in an increase in current cost depreciation expense of $20.2 million and in net current cost of fixed assets of $58.1 million.

The current cost of inventory was determined by applying internally generated indexes, based on current costs of material, labour and overhead incurred by the Company, to historical cost amounts. Cost of goods sold on a current cost basis has been determined by adjusting historical costs by internally generated indexes for the period between the date of production and the date of sale.

B. Net Loss for the Year on a Current Cost Basis

Net loss for the year on a current cost basis reflects the extent to which revenues were sufficient to enable the company to maintain its productive capacity by being able to replace inventory as it was sold and fixed assets as they were used by the Company during the period.

C. Loss Attributable to Common Shareholders on a Current Cost Basis

The CICA Recommendations permit two alternative approaches to presenting current cost loss attributable to common shareholders; the financial capital approach and the operating capability maintenance approach. Under both of these approaches, an adjustment is necessary to reflect arrears of cumulative preferred share dividends in the year. The above consolidated statement of income has been presented on the financial capital basis.

(i) *Financial capital basis*–Loss attributable to common shareholders on a current cost basis in constant dollars under the financial capital approach is intended to help assess the extent to which the purchasing power of common shareholders' equity was maintained during the period. Loss on this basis includes the increase in current cost amounts of inventory and fixed assets held during the year of $61.9 million, net of $36.4 million which is attributable to the effects of general inflation. It also includes a gain of $48.1 million in gereral purchasing power from having net monetary liabilities during the year.

(ii) *Operating capability basis*–If management had decided to present current cost loss attributable to common shareholders on an operating capability basis, net loss for the year on a current cost basis would have been reduced by a financing adjustment. This adjustment represents the proportion of the current cost adjustments that is attributable to holders of debt and preferred shares, not common shareholders. In the company's case, the financing adjustment would amount to $53.9 million based on the current cost adjustments to loss during the year, and $59.0 million based on the increase in current cost amounts of inventory and fixed assets held during the year. Such adjustments, however, may not be meaningful in the Company's circumstances as a result of its current financial structure. In addition, the Company is in the final stages of a program to improve efficiency and down-size operations to realistic levels. This program involves reducing productive capacity in some areas while increasing it in others. In these circumstances, management believes that the operating capability approach is less relevant to the Company.

Financial Statistics*

(Millions of U.S. Dollars)			Year ended January 31 1984	Three months ended January 31 *1983**** *	1982	1981	1980	1979	1978	1977**	1976**
					Years ended October 31						
Summary of Operations	Net sales	$	**1535**	*313*	2,058	2,646	3,132	2,973	2,631	2,861	2,774
	Gross profit	$	**284**	*10*	250	313	556	573	512	608	533
	Net expenses (excluding interest)	$	**253**	*65*	317	263	520	392	467	431	281
	Interest expense (net)	$	**90**	*43*	186	265	240	149	141	142	97
	Provision for Unusual Costs and Reorganization Expense	$	**16**		171	5	29	95	73		
	Income tax recovery (expense)	$	**1**	*2*	3	9	10	6	(17)	(17)	(57)
	Income from Finance Subsidiaries and Associate Cos.	$	**6**	*2*	8	16	23	21	19	14	10
	(Loss) Profit from Continuing Operations	$	**(68)**	*(94)*	(413)	(195)	(200)	(36)	(167)	32	108
	Loss from Discontinued Operations	$					(25)	(23)	(95)		
	(Loss) Profit before Extraordinary Item	$	**(68)**	*(94)*	(413)	(195)	(225)	(59)	(262)	32	108
	Extraordinary Item	$						95			
	Net (loss) income	$	**(68)**	*(94)*	(413)	(195)	(225)	37	(262)	32	108
	Operating (loss) profit***	$	**(48)**	*(85)*	(205)	(218)	(120)	45	(119)	78	130
	Dividends – Common	$							4	19	18
	– Preferred	$			16	45			2	10	7
	(Loss) income retained	$	**(68)**	*(94)*	(429)	(240)	(225)	37	(268)	3	83
Financial Condition	Working capital	$	**556**	*670*	723	994	256	467	476	736	767
	Additions to fixed assets	$	**36**	*5*	47	44	46	77	99	147	175
	Depreciation and amortization	$	**37**	*14*	71	81	80	88	77	69	54
	Total assets	$	**1,581**	*1,844*	2,069	2,503	2,828	2,745	2,573	2,620	2,323
	Current ratio		**2.0**	*2.1*	2.0	2.2	1.1	1.3	1.4	1.7	1.9
	Asset turnover ratio		**0.97**	*0.17*	1.0	1.1	1.1	1.1	1.0	1.1	1.2
	Debt/equity ratio		**2.8**	*7.8*	5.0	2.1	4.6	2.1	2.1	1.2	0.9
Liabilities and Shareholders' Equity	Current	$	**560**	*610*	746	844	1,851	1,469	1,252	1,061	866
	Other	$	**736**	*1,090*	1,087	1,089	624	699	780	745	647
	Shareholders' equity	$	**285**	*143*	237	570	353	578	541	813	811
	Return on closing equity	%	**(23.8)**	*(65.8)*	(174.6)	(34.2)	63.8)	6.4	(48.5)	3.9	13.3
As a per cent of Sales	Cost of goods sold, at average exchange rates	%	**81.5**	*89.8*	83.0	82.1	82.0	80.1	81.1	78.2	76.8
	Effect of foreign currency exchange rate changes	%		*7.0*	4.9	6.1	0.2	0.6	(0.6)	0.5	4.0
	Gross margin	%	**18.5**	*3.2*	12.1	11.8	17.7	19.3	19.5	21.3	19.2
	Marketing, general and administrative	%	**14.2**	*22.6*	16.8	15.6	12.9	11.8	12.6	11.9	11.5
	Engineering and product development	%	**2.3**	*3.0*	2.3	2.2	1.9	2.0	2.2	2.4	2.2
	(Loss) profit before Items Shown Below	%	**(3.8)**	*(31.3)*	(12.3)	(8.1)	(6.5)	1.1	(3.7)	1.2	5.6
	Provision for Unusual Costs and Reorganization Expense	%	**1.0**		8.3	0.2	0.9	3.2	2.8		
	Net (Loss) Income	%	**(4.4)**	*(30.1)*	(20.1)	(7.4)	(7.2)	1.2	(10.0)	1.1	3.9
	Operating (loss) profit***	%	**(3.1)**	*(27.1)*	(10.0)	(8.2)	(3.8)	1.5	(4.5)	2.7	4.7
Per Common Share ($U.S.)	Net Sales	$	**16.74**	*5.46*	36.39	61.50	171.62	162.90	144.16	156.76	152.00
	(Loss) Income from Continuing Operations (after dividends on preferred shares)	$	**(.74)**	*(1.74)*	(8.95)	(8.60)	(11.39)	(2.38)	(9.64)	1.21	5.53
	(Loss) Income (after dividends on preferred shares)	$	**(.74)**	*(1.74)*	(8.95)	(8.60)	(12.79)	1.58	(14.84)	1.21	5.53
	(Loss) Income retained	$	**(.74)**	*(1.74)*	(8.95)	(8.60)	(12.79)	1.58	(14.84)	0.16	4.55
	Toronto Stock Exchange quotes, High	$	**8.25**	*5⅛*	3.40	6⅞	13⅝	15½	20¼	24⅛	32
	($ Canadian) Low	$	**3.70**	*2.35*	1.95	2.40	5¾	9½	9½	16⅛	16¾
	Dividends declared ($ Canadian)	$							0.25	1.08	1.00
	Dividends paid ($ Canadian)	$							0.25	1.08	1.00
Preferred Shares ($ Cdn.)	Calender year, Toronto Stock Exchange quotes										
	Series A, High	$	**13.50**		9.88	20.00	25.00	25.50	27.50	29.00	28.00
	Low	$	**6.13**		3.35	6.25	7.50	17.25	16.25	26.75	25.00
	Series B, High	$	**13.38**		9.75	20.00	24.00	25.00	27.25	29.13	27.00
	Low	$	**6.38**		3.15	5.25	7.00	17.00	16.00	26.25	25.00
Shareholders/ Employees	Shareholders – Common shares		**30,912**	*31,871*	32,961	34,897	28,351	29,926	31,353	30,619	31,039
	– Preferred shares		**5,025**	*6,568*	6,934	7,918	9,669	10,613	11,370	10,208	10,620
	Employees (at year end)		**27,609**	*30,095*	33,726	39,789	41,690	56,233	57,983	67,151	68,200
	Common shares outstanding (thousands)		**91,674**	*57,389*	56,551	43,025	18,250	18,250	18,250	18,250	18,250
	Preferred shares outstanding (thousands)		**21,136**	*21,136*	21,136	17,463	3,825	3,825	3,825	3,999	3,999

*See selected Financial Data on Page 38.

**Results for 1980, 1979 and 1978 include the construction machinery business as discontinued operation. It is not practicable to segregate the construction machinery operation for years prior to 1978.

***Operating (loss) profit is defined as total revenue less those recurring expenses which are within the control of management. It excludes extraordinary items, net exchange and reorganization expense pertaining to continuing operations.

****In certain instances, three month data is not comparable to the summary of yearly statistical data.

Sales Statistics

(Millions of U.S. Dollars)		Year ended January 31 1984		*Three months ended January 31 1983*	Years ended October 31							
					1982	1981	1980*	1979*	1978*	1977	1976	1975
		% of Total	Amount $	$	$	$	$	$	$	$	$	$
Net Sales by Markets	*North America*											
	Canada	**11.3**	**173.3**	**12.9**	144.2	184.7	219.4	217.8	180.0	196.8	222.6	193.6
	United States	**20.8**	**319.1**	**29.7**	360.9	594.0	819.5	839.1	635.1	699.3	634.4	593.9
	Total	**32.1**	**492.4**	**42.6**	505.1	778.7	1,038.9	1,056.9	815.1	896.1	857.0	787.5
	Europe											
	United Kingdom	**15.9**	**244.1**	**51.8**	264.3	198.9	296.9	339.2	321.0	274.4	225.4	211.6
	France	**9.3**	**142.8**	**41.8**	172.1	169.8	227.2	199.8	182.9	189.3	166.7	171.3
	West Germany	**5.6**	**86.2**	**12.3**	87.3	107.3	157.2	178.9	188.4	220.2	183.1	157.5
	Italy	**5.0**	**76.1**	**15.7**	118.5	137.4	210.9	155.1	122.0	136.2	119.1	89.5
	Scandinavia	**4.5**	**69.2**	**19.2**	78.5	90.4	113.6	84.5	104.0	102.7	90.4	86.9
	Benelux	**1.1**	**16.6**	**5.0**	19.9	18.0	28.3	25.8	32.8	44.2	39.8	33.3
	Austria	**0.8**	**12.4**	**2.5**	12.3	10.3	17.8	13.8	13.2	21.9	15.9	14.4
	Spain	**0.3**	**3.7**	**0.8**	4.9	4.1	8.2	10.8	12.0	21.6	19.3	18.6
	Other	**1.0**	**16.1**	**3.2**	26.6	31.3	56.7	44.3	46.1	42.9	30.5	30.4
	Total	**43.5**	**667.2**	**152.3**	784.4	767.5	1,116.8	1,052.2	1,022.4	1,053.4	890.2	813.5
	Latin America											
	Mexico	**1.5**	**22.6**	**0.7**	30.1	67.8	75.3	53.8	42.6	20.9	37.4	35.0
	Brazil	**0.2**	**3.6**	**39.4**	231.6	307.2	306.0	317.9	249.6	277.1	403.6	363.1
	Argentina	**0.1**	**0.9**	**0.4**	14.6	11.7	43.8	43.1	32.8	109.2	72.6	51.7
	Other	**0.6**	**9.9**	**4.8**	27.5	47.4	53.8	42.6	39.7	48.3	35.8	51.8
	Total	**2.4**	**37.0**	**45.3**	303.8	434.1	478.9	457.4	364.7	455.5	549.4	501.6
	Africa											
	South Africa	**1.8**	**26.7**	**3.6**	63.3	108.9	66.2	64.1	73.9	76.5	73.0	99.2
	Libya	**2.8**	**42.7**	**11.5**	33.4	45.4	27.9	24.2	12.5	14.6	14.8	28.9
	Sudan	**0.3**	**4.9**	**1.6**	13.5	7.7	6.5	4.3	1.9	4.2	10.5	3.5
	Other	**1.9**	**29.7**	**12.4**	61.6	70.8	63.9	44.4	54.6	73.1	51.3	63.9
	Total	**6.8**	**104.0**	**29.1**	171.8	232.8	164.5	137.0	142.9	168.4	149.6	195.5
	Near East	**4.9**	**75.4**	**19.4**	82.2	208.0	70.7	49.6	67.8	82.8	101.4	67.7
	West Asia	**4.4**	**68.2**	**9.9**	75.3	71.0	79.1	45.0	58.9	37.1	71.8	35.6
	East Asia	**1.4**	**21.8**	**3.9**	27.2	23.2	52.6	56.4	62.4	46.9	32.7	44.2
	Australasia	**4.5**	**69.0**	**10.8**	108.3	131.0	130.6	118.5	96.8	121.3	121.5	108.8
	Total	**100.0**	**1,535.0**	**313.3**	2058.1	2,646.3	3,132.1	2,973.0	2,631.0	2,861.5	2,773.6	2,554.4
Net Sales by Quarters	First	**26.3**	**403.3**	**313.3**	480.6	531.6	711.1	567.7	503.8	544.2	536.1	467.6
	Second	**26.1**	**401.1**		558.0	720.7	844.7	743.0	723.1	706.5	775.7	652.2
	Third	**24.0**	**368.6**		518.2	689.4	731.4	787.7	651.1	781.7	705.9	673.6
	Fourth	**23.6**	**362.0**		501.3	704.6	844.9	874.6	753.0	829.1	755.9	761.0
	Total	**100.0**	**1,535.0**	**313.3**	2,058.1	2,646.3	3,132.1	2,973.0	2,631.0	2,861.5	2,773.6	2,554.4
Net Sales by Products	*Farm & Industrial Machinery*											
	Tractors	**43.3**	**665.0**	**152.7**	896.8	1,125.0	1,315.1	1,256.6	1,107.8	1,201.5	1,186.0	1,038.2
	Grain Harvesting	**15.1**	**231.5**	**22.0**	245.3	353.3	460.1	445.1	341.7	333.3	343.7	353.5
	Hay Harvesting	**1.1**	**17.1**	**3.0**	25.4	39.6	50.6	46.1	49.8	60.3	55.1	51.9
	Industrial Machines	**3.4**	**52.9**	**14.0**	82.6	138.6	164.3	195.7	170.8	153.1	144.6	125.0
	Other Products	**5.1**	**78.2**	**12.1**	93.5	126.1	174.5	176.3	209.3	226.9	234.0	226.6
	Parts	**16.2**	**247.3**	**51.5**	315.9	327.1	368.7	349.2	305.6	275.4	267.2	267.9
	Total	**84.2**	**1,292.0**	**255.3**	1,659.5	2,109.7	2,533.3	2,469.0	2,185.0	2,250.5	2,230.6	2,063.1
	Engines											
	Engines	**19.3**	**296.6**	**65.7**	448.9	608.9	743.6	650.9	560.9	512.9	486.0	402.1
	Deduct MF	**(6.8)**	**(105.3)**	**(23.7)**	(127.1)	(162.8)	(232.7)	(223.6)	(182.7)	(182.4)	(200.4)	(168.7)
	Parts	**3.3**	**51.7**	**16.0**	76.8	90.5	87.9	76.7	67.8	56.4	54.1	61.4
	Total (Net)	**15.8**	**243.0**	**58.0**	398.6	536.6	598.8	504.0	446.0	386.9	339.7	294.8
	Construction Machinery											
	Machines									184.9	169.9	160.8
	Parts									39.2	33.4	35.7
	Total									224.1	203.3	196.5
	Total	**100.0**	**1,535.0**	**313.3**	2,058.1	2,646.3	3,132.1	2,973.0	2,631.0	2,861.5	2,773.6	2,554.4

*Excluding construction machinery.

Operating Companies – Facilities and Products

WHOLLY OWNED

AUSTRALIA

Massey-Ferguson (Australia) Limited
Bundaberg Plant (207,000 sq. ft.)– sugar cane harvesters.
Sunshine (Melbourne) Plant (1,072,000 sq. ft.)– combines, loaders, backhoes, implements.

Perkins Engines Australia Pty. Ltd.
Dandenong Plant (28,000 sq. ft.)– diesel engine assembly, engine remanufacturing.

BRAZIL

Massey Ferguson Perkins S.A.
Canoas Plant (731,000 sq. ft.)– agricultural and industrial tractors, combines, implements, backhoes.
Sao Bernardo Plants (471,000 sq. ft.)– diesel and alcohol engines, components.

Progresso Metalfrit S.A.
Sao Paulo Foundry (36,000 sq. ft.)– gray iron castings.

CANADA

Massey-Ferguson Industries Limited
Brantford Locations
–*Combine Plant (815,000 sq. ft.)–* combines, combine cabs.
–*Foundry (255,000 sq. ft.)–* gray iron castings.
–*Implement Plant (780,000 sq. ft.)–* four-wheel-drive tractors, combine and tractor components.
–*Stamping Plant (504,000 sq. ft.)–* combine, agricultural and industrial tractor components.
Toronto Plant (1,000,000 sq. ft.)– balers, corn heads, harrows, combine and tractor components.
Cambridge Foundry (61,000 sq. ft.)– gray iron and nodular castings.

FRANCE

Massey-Ferguson S.A.
Beauvais Plant (932,000 sq. ft.)– agricultural tractors, tractor components.
Marquette Plant (1,155,000 sq. ft.)– combines, balers, tractor cabs, components.

Moteurs Perkins S.A.
Genainville Plant (36,000 sq. ft.)– diesel and gasoline engine remanufacturing.

ITALY

Massey-Ferguson S.p.A.
Fabbrico Plant (380,000 sq. ft.)– agricultural tractors.
Como Plant (115,000 sq. ft.)– drive axles and other agricultural tractor components.
Aprilia Plant (600,000 sq. ft.)– industrial crawler tractors; agricultural and industrial machinery components.

UNITED KINGDOM

Massey-Ferguson (United Kingdom) Limited
Baginton Plant (312,000 sq. ft.)– tractor components.
Coventry Plant (1,517,000 sq. ft.)– agricultural and industrial tractors, axles, gearboxes, other components.
Manchester Plant (511,000 sq. ft.)– tractor-backhoe-loaders and tractor components.

Perkins Engines Group Limited
Peterborough Locations
diesel and gasoline engines
–*Eastfield Plant (1,403,000 sq. ft.)*
–*Fletton Components Plants (116,000 sq. ft.)*
–*Fletton V8 Plant (150,000 sq. ft.)*
–*Walton Plant (164,000 sq. ft.)–*
Shrewsbury Sentinel Plant (752,000 sq. ft.)– diesel engines, engine remanufacturing.

UNITED STATES

Perkins Engines, Inc.
Detroit, Van Born Plant (100,000 sq. ft.)– diesel engine assembly.

WEST GERMANY

Massey-Ferguson GmbH
Eschwege Plant (721,000 sq. ft.)– hydraulic cylinders and valves, roller and leaf chain.

PARTS FACILITIES

The Company has 23 major parts warehouses in eight countries with an approximate total in excess of 2,000,000 square feet of covered storage area. The largest facilities are located at:

Racine, U.S.A. (755,000 sq. ft.)
Urmston, U.K. (362,000 sq. ft.)
Brantford, Canada (173,000 sq. ft.)
Athis-Mons, France (150,000 sq. ft.)
Eschwege, West Germany (183,000 sq. ft.)

ASSOCIATE COMPANIES AND PER CENT OWNED

BRAZIL

Piratininga, Implementos Agricolas S.A. 16%
Butia Plant (65,000 sq. ft.)– farm implements.

INDIA

Tractors and Farm Equipment Limited 49%
Madras Plant (193,000 sq. ft.)– tractors, implements.

LIBYA

Libyan Tractor Company 33⅓%
Tajoura (Tripoli) Plant (118,000 sq. ft.)– tractors.

MALAWI

Agrimal (Malawi) Limited 20%
Blantyre Plant (12,000 sq. ft.)– hoes, animal draft equipment.

MEXICO

Motores Perkins S.A. 19%
Toluca Plant (153,000 sq. ft.)– diesel engines.

MOROCCO

Compagnie Maghrebine de Materiels Agricoles et Industriels, S.A. 24%
Casablanca Plant (54,000 sq. ft.)– tractors.

PERU

Motores Diesel Andinos S.A. 24%
Trujillo Plant (109,000 sq. ft.)– diesel engines.

SAUDI ARABIA

Saudi Tractor Manufacturing Company 20%
Jeddah Plant (44,000 sq. ft.)–tractors.

SOUTH AFRICA

FedMech Holdings Limited 25%
Vereeniging Locations
–*Manufacturing Plant (685,000 sq. ft.)–* implements, tractor accessories, attachments, industrial loaders, transport systems.
–*Assembly Plant (55,000 sq. ft.)–* tractors.
Potgietersrus Plant (216,000 sq. ft.)– harvesting machinery, implements, trailers.

OTHER LICENSEE LOCATIONS

Farm Machinery: Argentina, Guyana, Iran, Japan, Kenya, Malaysia, Mexico, Pakistan, Poland, Portugal, Spain, Thailand, Turkey, Uruguay, Zimbabwe.

Engines: Argentina, Bulgaria, Greece, India, Iran, Pakistan, Poland, South Africa, Spain, Turkey, Uruguay, Yugoslavia.

Directors and Management

BOARD OF DIRECTORS

Victor A. Rice
Chairman and Chief Executive Officer, Massey-Ferguson Limited

John N. Abell
Chairman and Chief Executive Officer, Orion Royal Bank Limited

Ralph M. Barford
President, Valleydene Corporation Limited

R. Donald Fullerton
Vice-Chairman and President, Canadian Imperial Bank of Commerce

H. N. R. Jackman
Chairman, The Empire Life Insurance Company

Vincent D. Laurenzo
President, Massey-Ferguson Limited

John D. Leitch
Vice President and Director, Canadian Imperial Bank of Commerce

Alastair Morton
Chief Executive, Guinness Peat Group PLC

A. M. Runciman
Director, Canadian Pacific Limited

Maurice F. Strong
Chairman, Canada Development Investment Corporation

Hon. John N. Turner
Partner, McMillan, Binch

J. Page R. Wadsworth
Chairman of the Executive Committee, Confederation Life Insurance Company

Hon. Robin H. Warrender
Chairman and Chief Executive, Bain Dawes PLC

The Duke of Wellington
Director, Massey-Ferguson Holdings Limited

L. R. Wilson
President and Chief Executive Officer, Redpath Industries Limited

HONORARY DIRECTORS

The Marquess of Abergavenny
Henry Borden
James S. Duncan
A. Bruce Matthews
Maxwell C. G. Meighen
Sir Montague Prichard
Edward P. Taylor
Albert A. Thornbrough
Colin W. Webster

COMMITTEES OF THE BOARD

EXECUTIVE COMMITTEE

Victor A. Rice
Chairman
Ralph M. Barford
R. Donald Fullerton
John D. Leitch
Hon. John N. Turner
J. Page R. Wadsworth

AUDIT COMMITTEE

J. Page R. Wadsworth
Chairman
John D. Leitch
H. N. R. Jackman

HUMAN RESOURCES COMMITTEE

Ralph M. Barford
Chairman
Victor A. Rice
J. Page R. Wadsworth
L. R. Wilson

NOMINATING COMMITTEE

Hon. John N. Turner
Chairman
Ralph M. Barford
Victor A. Rice

HEADQUARTERS MANAGEMENT

Victor A. Rice
Chief Executive Officer

Vincent D. Laurenzo
President

Neil D. Arnold
Vice President and Treasurer

Peter N. Barton
Vice President Planning & Business Ventures

Michael G. Bird
Vice President and Chairman European Companies

Fred J. Bradley
Director Internal Audit

Bob M. Brown
Senior Business Advisor

Roger C. Clarke
Vice President and Chairman MFP World Trading Limited

Peter Collins
Vice President Communications & External Affairs

Darwin G. Kettering
Senior Vice President

John P. McCarter
Secretary

Ivan Porter
Senior Vice President Finance & Administration and Chairman Americas Companies

J. Keith Robson
Comptroller

Richard E. Robson
Vice President Management Systems

OPERATIONS MANAGEMENT

TRACTORS & FARM EQUIPMENT

James M. Felker
President

COMBINES & FARM EQUIPMENT

D. Brian Long
President

ENGINES

John F. Devaney
President

INDUSTRIAL MACHINERY

John D. Sword
President

AUSTRALIA DIVISION

Adri Verhagen
President

COMPONENTS DIVISION

Horst Braxmaier
President

CANADIAN FOUNDRIES DIVISION

D. Earl Keyes
General Manager

TRADE & BARTER DIVISION

Clive Bateson
President

Massey-Ferguson Limited

World Headquarters 595 Bay Street Toronto Ontario M5G 2C3 Canada

COMMON SHARES

TRANSFER AGENTS AND REGISTRARS

National Trust Company, Limited, Toronto, Montreal, Winnipeg, Calgary, Vancouver

The Canadian Imperial Bank of Commerce Trust Company, New York

Canadian Imperial Bank of Commerce, London, England

STOCK EXCHANGES

The common shares of Massey-Ferguson Limited are traded under the symbol MF in Canada and MSE in the United States. The shares are listed on the Toronto, Montreal and Vancouver Stock Exchanges in Canada, on the New York Stock Exchange in the United States and on the London Stock Exchange in England.

These shares have unlisted trading privileges in the United States on the Midwest Stock Exchange, the PBW Stock Exchange, the Boston Stock Exchange and the Pacific Stock Exchange. The shares are also traded on the Amsterdam Stock Exchange in the form of Dutch Bearer Certificates.

PREFERRED SHARES

TRANSFER AGENTS

National Trust Company, Limited, Toronto, Montreal, Winnipeg, Calgary, Vancouver

Canada Permanent Trust Company, Regina (Series B only)

REGISTRAR

National Trust Company, Limited, Toronto, Montreal, Winnipeg, Calgary, Vancouver

STOCK EXCHANGES

The Series A and Series B preferred shares of Massey-Ferguson Limited are listed only on the Toronto, Montreal and Vancouver Stock exchanges in Canada. The Series C, Series D and Series E preferred shares have not been listed for trading.

WARRANTS

The Warrants of Massey-Ferguson Limited are traded in over-the-counter markets in Toronto and New York.

DIVIDENDS

No dividends have been paid to common shareholders since December 20, 1977.

The Company announced on May 28, 1982 that following the payment of the previously declared May preferred share dividends all further preferred share dividends would be suspended. The last dividend paid on Series A preferred shares was dated April 30, 1982; the last dividend on Series B preferred shares was dated March 31, 1982; and the last dividends paid on Series C, D and E preferred shares were dated May 31, 1982.

As indicated in Note 12 to the Consolidated Financial Statements, covenants included in the March 7, 1983 refinancing agreements stipulate that no dividends will be declared on common shares prior to February 1, 1985. Cash dividends after February 1, 1985 are restricted to 50 per cent of net income earned after that date as reduced by cash dividends and redemption of any preferred shares and requires that the Company is in compliance with all its covenants and undertakings. Terms of the Series A and B preferred shares prevent the payment of dividends on common shares until the aggregate of net income earned less dividends paid on preferred shares plus proceeds from common shares issued after January 31, 1984 exceeds approximately $665 million. Thereafter, an agreement with the Governments of Canada and Ontario, which could remain in effect until June 30, 1991, prevents the declaration or payment of dividends on the common shares except with the written agreement of Ministers of these Governments.

ADDITIONAL SHAREHOLDER INFORMATION

There are no restrictions on the export or import of capital which affect the remittance of dividends, interest or other payments to non-resident holders of the Company's securities.

The Foreign Investment Review Act requires prior approval by the Government of Canada of the acquisition by, or transfer to, non-residents of Canada of direct or indirect control of a Canadian business entity, such as the Company. The Act does not apply to the purchase of shares or securities of a corporation where such purchases would not give the purchasers effective control of the corporation.

Interest payable on the Company debt securities held by non-Canadian persons may be subject to Canadian withholding tax, depending upon the terms and provisions of such securities.

Additional Statistical Data

	1984 January 31	**1983** January 31	1982 October 31
Number of employees*	**23,751**	30,095	29,749
Number of shareholders			
Common	**30,912**	31,871	32,961
Preferred	**5,025**	6,568	6,934
Shares outstanding (thousands)			
Common	**91,674**	57,389	56,551
Preferred			
Series A	**1,458**	1,458	1,458
Series B	**2,198**	2,198	2,198
Series C	**6,000**	6,000	6,000
Series D	**8,000**	8,000	8,000
Series E	**3,480**	3,480	3,480
Warrants			
Initial	**24,815**		
Additional	**2**		

*Excludes those laid off in North America

Printed in Canada

To the people of Massey-Ferguson

Victor A. Rice, Chairman and Chief Executive Officer
Vincent D. Laurenzo, President

YOU ARE MASSEY-FERGUSON'S most important asset, our strongest resource. We take this occasion to acknowledge your value to this enterprise and to our gathering revitalization.

To surmount the difficulties of the past six years, we have undertaken radical measures. Much has been asked of you, perhaps more than you thought necessary. We understand your misgivings. There are simply no easy or painless paths to recovery.

More than anything else, we want to make certain that your sacrifices were justified, that the frustrations borne by the people of Massey-Ferguson are enabling our Company to regain vitality and move forward again.

Now that we are putting the worst behind us, we can once more look ahead with a sense of confidence. Your indomitable spirit is turning the tide. Now, let's work together, in a renewed fusion of purpose, to achieve the bright future that all who stood the test deserve.

Vince D. Laurenzo